

Dr. Michael Conostas CBA 403

mconstas@csulb.edu

Office Hours M 5-6PM, W 5-7PM & after my night classes.

**ACCOUNTING 310
COST ACCOUNTING**

www.csulb.edu/~mconstas

Spring 2011

ACCT 310 focuses on understanding: (i) the methods in which costs are allocated to a firm's product lines, (ii) the behavior of costs and what causes them to change, and (iii) the best way to utilize cost information in managing a firm's operations. This emphasis on costs results from the fact that costs tend to be a facet of a firm's operations that may be misrepresented and/or not fully understood.

A firm's decision makers often think of costs and other financial statement figures as being absolute truths. Contrary to what most managers think, however, financial statements are not carved in stone on Mt. Sinai. They are open to interpretation. Although firms know the source of their revenues, some of the costs associated with their product lines are less clear. While material and labor costs are easy to determine, it is often difficult to identify the overhead associated with particular products and services. There is no Overhead Meter that produces an accurate measure of the overhead incurred in producing a good or service. As a result, conventions are used to assign overhead to a firm's output. These conventions may or may not be appropriate or provide an accurate measure of how overhead is incurred in different situations. Firms, therefore, may not be using accurate information when making decisions. If managers use inaccurate information when making decisions, the decisions made may be wrong or not optimal.

In addition, in different contexts, it may be inappropriate for firms to consider certain costs when making decisions, even if the costs are accurately measured. When decisions are based on inappropriate or inaccurate cost information, they may be less than optimal.

Moreover, cost structures are not static, they can change, and understanding their behavior can give a manager an advantage in managing operations. For example, because BIC pens understood learning curves and economies of scale (as well as their effect on BIC's costs), BIC was able to achieve a 50% share of the U.S. ball point pen market in a very short period of time.

This class is designed to sensitize managers to these issues. This is not a class on bookkeeping, and there are very few journal entries covered in this class. The class reviews cost procedures in order to aid managers in their decision making. This class involves critical thinking (not memorization).

CATALOG DESCRIPTION

Accounting for and analysis of costs; cost management; use of accounting and cost data for planning and decision making; product costing, activity-based costing (ABC); break-even and cost-volume-profit analysis; budgeting as a tool for profit planning; evaluation of internal control and systems; non-routine decisions, capital budgeting; continuous improvement (CI); balanced scorecard (BSC); target costing; quality costs; just-in-time (JIT).

CURRICULUM JUSTIFICATION

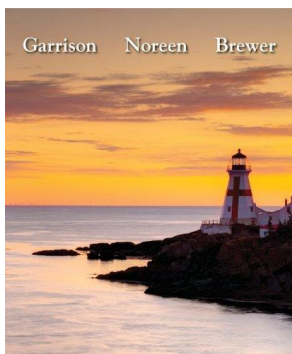
The curriculum is designed to teach (1) critical thinking skills through such managerial accounting topics as the role of cost accounting information for management and business strategy development. (2) As for business functions, the course covers topics such as cost accumulation systems for inventory valuation and income determination. (3) For quantitative and technical skills, the course addresses such profit planning tools such as cost-volume-profit analysis and budgeting.

COURSE OBJECTIVES

Learning goals – Critical Thinking: (a) Students will be able to understand the role of accounting information in management decision making and how management accounting contribute to business strategy development. (b) Students will be able to differentiate product vs. period costs, expired vs. unexpired costs, direct vs. indirect costs, and fixed vs. variable costs.

Learning goals – Business Functions: (a) Students will be able to use normal costing system to determine overhead application rate, allocate overhead to products and services, and dispose under or over-applied overhead. (b) Students will be able to understand the cost flow in a job order costing system, prepare schedules of cost of goods manufactured, cost of goods sold and present income statement.

Learning goals – Quantitative and Technical Skills: (a) Students will be able to conduct break-even and cost-volume-profit analysis for both single and multiple products; and to determine margin of safety and operating leverage. (b) Students will be able to understand the relationship between company strategy and budgets, and prepare master budgets, including cash budget.



TEXTBOOK

Garrison, Noreen & Brewer
Managerial Accounting
14th Edition
McGraw-Hill Irwin

COURSE SUBJECT MATTER		
Date	Chapter	Topic
1/26	Ch 3	<u>Job/Order Costing</u> . A discussion of the methods used to apply costs to custom-made or low-volume products and services.
2/2	Ch 4	<u>Process Costing</u> . An examination of the manner in which costs are applied to high-volume, standard products and services.
2/9	App 4B	<u>Service Departments</u> . A discussion of the practice of grouping overhead into cost centers, and the methods used to allocate that cost center overhead to a firm's output.
2/16	Ch 2	<u>Cost Behavior</u> . An examination of the manner in which costs are incurred.
2/23	Ch 5	<u>Cost-Volume-Profit Analysis</u> . A review of the procedures used to determine the sales and production volume necessary to avoid a loss or achieve a specified operating profit.
3/2	Midterm No. 1 (Chapters 2,3,4, & 4B)	
3/9	Ch 6	<u>Variable Costing</u> . An examination of the ability to use alternative Income Statement formats to aid in decision making.
3/16	Ch 7	<u>ABC Costing</u> . A review of different methods employed to allocate overhead to a firm's product lines
	Ch 8	<u>Budgeting</u> . A review of the preparation of budgets and the role that they play in the planning process
3/23	Ch 9 & 10	<u>Variiances</u> . A review of the procedures used to determine variances from budgeted production costs, and the modification of a firm's accounting system to report such variances
3/30	Spring Break	
4/6	Midterm No. 2 (Chapters 5,6,7, & 8)	
4/13	Ch 12	<u>Relevant Costing</u> . A discussion of the procedures used to evaluate the profitability of alternative courses of action, and which revenues and costs should be considered in such an evaluation
4/20	Ch 12	<u>Constraints</u> . Linear Programming
4/27	Ch 12	<u>Joint Costs</u> . A discussion of the methods of allocating costs to multiple products produced by one process.
5/4	Ch 13	<u>Capital Budgeting</u> . A discussion of different methods that can be employed to evaluate the profitability of potential projects
5/11	Midterm No. 3 (Chapters 9,10,12, & 13)	
5/18 7:15PM	Final Exam	

LECTURES

Each class will consist of a lecture on the topic listed above. Students are not expected to have studied the chapters related to these topics prior to the lecture. Since students are not familiar with these topics, they are encouraged to ask any questions that they may have during these lectures. The lectures do not necessarily follow the textbook. One hundred (100) points will be awarded for attendance and class participation.

EXAMINATIONS

Midterms (600 Points). There are three midterm examinations in this class. Each midterm is worth 200 points.

Final Exam (200 Points). The final examination will be given during final's week at the scheduled time. It is worth 200 points.

Closed Book. All of the exams are closed book.

Calculators. **Graphing calculators are not allowed to be used during examinations.** Similarly, any calculator that allows students to store data (e.g., notes and facts) is not permitted.

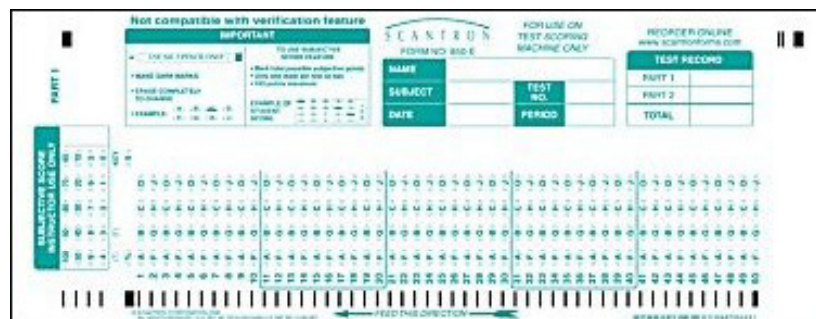
Cells Phones and PDAs. Cell phones and PDAs may not be used during examinations for any reasons (e.g., as a calculator). They must be turned off.

Showing Your Work. You must show your work on your examinations. For example, if you mark "C" for a number of your answers without providing sufficient supporting calculations, you will receive a score of zero.

Scantron Forms.

Students must submit their answers using a Scantron Form No. 882-E. The Scantron form must be in good shape (e.g., not folded or bent ... so that it can be easily read by the Scantron machine).

If there is an inconsistency between the answer that appears on the Scantron form and the answer that appears on the hard copy of the exam, the Scantron answer will govern.



The image shows a Scantron Form No. 882-E, which is a standardized form used for multiple-choice and true/false exams. The form is divided into several sections:

- Header:** Includes the Scantron logo and the text "FOR USE ON TEST ACCORDING MACHINE ONLY".
- Important Information:** A section with instructions for students, including "Do not mark the answer bubbles" and "Mark your answers in the bubbles only".
- Student Information:** Fields for NAME, SUBJECT, DATE, TEST NO., and PERIOD.
- TEST RECORD:** A table for recording scores for PART 1, PART 2, and a TOTAL score.
- Answer Bubbles:** A large grid of bubbles for marking answers, with a vertical column on the left for "BUBBLE SCORE" and a horizontal row at the bottom for "FEED THIS DIRECTION".

Calculation Of Grade

There is a total of 900 points available to students in this class:

Midterm No. 1:	200 points
Midterm No. 2:	200 points
Midterm No. 3:	200 points
Final:	200 points
Attendance & Class Participation:	<u>100 points</u>
Total:	<u>900 points</u>

A student will be assigned a grade based upon the number of points that he or she accumulates as follows:

<u>GRADE</u>	<u>POINTS</u>
A	810 points & over
B	720 points up to, but not including, 810 points
C	630 points up to, but not including, 720 points
D	540 points up to, but not including, 630 points
F	Below 540 points

WEBSITE

The Website located at www.csulb.edu/~mconstas contains course materials (Cost Accounting), and a spreadsheet containing all of the points that students have accumulated in the class to date (Class Standing).



COURSE MATERIALS

The Website contains Notes on each topic covered in this class. There are also solved Demonstration Problems. The Demonstration Problems are not sample examination questions. They are designed to demonstrate the concepts discussed in class.

STUDENTS WITH DISABILITIES

It is the responsibility of students with disabilities to inform the instructor within the first two weeks of the semester/session of the need for reasonable accommodation of their disabilities. Students are advised to seek assistance from Disabled Students Services (DSS) on campus. As soon as the need for accommodation is determined by DSS and the need is communicated to the instructor by DSS, reasonable accommodation will be made.