ACC 121 Principles of Managerial Accounting

COURSE DESCRIPTION:

Prerequisites: ACC 120
Corequisites: None

This course includes a greater emphasis on managerial and cost accounting skills. Emphasis is placed on managerial accounting concepts for external and internal analysis, reporting, and decision-making. Upon completion, students should be able to analyze and interpret transactions relating to managerial concepts including product costing systems. *This course has been approved to satisfy the Comprehensive Articulation Agreement for transferability as a pre-major and/or elective course requirement.* Course Hours Per Week: Class 3, Lab 2, Semester Hour Credit 4.

LEARNING OUTCOMES:

Upon completion of this course, the student will be able to:

1. Function effectively on the job
    a. Use current accounting terminology
2. Use quantitative and qualitative tools and methods
    a. Obtain information from financial statements and/or ratio analysis and interpret and communicate the results
    b. Obtain information for capital expenditure proposals and perform a lease versus buy analysis
3. Classify accounts and record transactions
    a. Analyze simple and complex business transactions
    b. Convert items from cash basis to accrual basis
4. Account for specific industries and organizational structures
    a. Apply business law concepts to accounting
    b. Account for manufacturing firms
    c. Use and interpret various job/product costing systems
    d. Understand the accounting for merchandising, service and professional organizations
    e. Apply budgeting concepts to various organizations and industries and prepare pertinent budgets and reports (non-profit budgeting, capital budgeting, etc.)
    f. Compute and interpret variances from budgets and standards
    g. Provide information regarding the interrelationships between financial and nonfinancial information
5. Complete the accounting cycle and use its outputs
    a. Document/flowchart various accounting cycle cost flows

OUTLINE OF INSTRUCTION:

I. Financial statement analysis
    A. Why analyze financial statements?
    B. Comparative analysis
        1. Horizontal analysis
        2. Vertical analysis
        3. Ratio analysis

            a. Liquidity ratios
            b. Solvency ratios
            c. Profitability ratios
        4. Limitations of financial analysis

II. Statement of cash flows
    A. Primary purpose
    B. Classification of cash flows
    C. Significant non-cash activities
    D. Cash flows from operating activities
        1. Direct method
        2. Indirect method
    E. Preparation of statement
        1. Direct method
        2. Indirect method
    F. Using cash flows to evaluate a company

III. Accounting information and managerial decisions
    A. Traditional financial information vs. nonfinancial information
    B. Knowledge management tools
        1. Data and knowledge warehouses
        2. Enterprise resource planning systems
        3. Electronic data interchange
    C. Users of accounting information
        1. External users
        2. Internal users
    D. Functional areas of management
    E. Role of managerial accountant
    F. Decision-making model
    G. Relevant factors
        1. Relevant costs
        2. Sunk costs
        3. Opportunity costs

IV. Product costing: manufacturing processes, cost terminology, and cost flows
    A. Manufacturing, merchandising and service companies
    B. The production process
        1. Traditional environment
        2. JIT environment
    C. Product costs
        1. Direct costs
        2. Manufacturing overhead
        3. Non-manufacturing costs
    D. Cost flows
        1. Traditional environment
        2. JIT environment
    E. Product vs. period costs
    F. Manufacturing costs in financial statements

V. Job costing, process costing and operations costing
    A. Product costing systems
        1. Job costing
        2. Process costing
        3. Operations costing
    B. Cost drivers and overhead rates
    C. Over- or Under-applied manufacturing overhead
    D. Backflush costing
    E. Weighted-average method vs. FIFO method of processing costs
VI. Activity-based costing
    A. Activity-based costing versus traditional costing systems
    B. Identifying activities and cost drivers
    C. ABC and JIT
    D. Traditional overhead allocation and ABC-an example
    E. Benefits and limitations of ABC
VII. Cost behavior and relevant costs
    A. Fixed and variable costs
    B. Relevant range
    C. Mixed costs
        1. Regression analysis
        2. High/low method
    D. Impact of income taxes on costs and decision making
VIII. Cost-volume-profit analysis and variable costing
    A. Contribution margin
    B. What-if decision using CVP
    C. Break-even analysis
    D. Target profit analysis
IX. Short-term tactical decision making
    A. Special orders
    B. Outsourcing and other make-or-buy decisions
    C. Adding or dropping product, product line, or service
    D. Theory of constraints
    E. Sell or process further
X. The use of budgets in planning and decision-making
    A. The budget development process
        1. Budgets for planning, operating and control
        2. Advantages of budgeting
    B. Master budget
        1. Sales budget
        2. Operating budgets
            a. Production budget
            b. Materials purchases budget
            c. Direct labor budget
            d. Manufacturing overhead budget
            e. Selling and administrative expense budget

        3. Cash budget
    C. Budgeted financial statements
        1. Manufacturing companies
        2. Non-manufacturing companies
    D. Non-financial budgets
    E. Static versus flexible budgets

XI. Variance analysis - a tool for cost control and performance evaluation
    A. Standard costing
    B. Flexible budgeting with standard costs
        1. Sales volume variance
        2. Flexible budget variance
        3. Sales price variance
    C. Variable manufacturing cost variances
        1. Direct material variance
        2. Direct labor variance
        3. Variable overhead variance
    D. Fixed overhead variances
    E. Overhead variance analysis using ABC
    F. Selling and administrative expense variance
    G. Interpreting and using variance analysis

REQUIRED TEXTBOOK AND MATERIAL:

The textbook and other instructional material will be determined by the instructor.