

# ACCT A210: COST ACCOUNTING

Item	Value
Curriculum Committee Approval Date	12/02/2020
Top Code	050200 - Accounting
Units	3 Total Units
Hours	54 Total Hours (Lecture Hours 54)
Total Outside of Class Hours	0
Course Credit Status	Credit: Degree Applicable (D)
Material Fee	No
Basic Skills	Not Basic Skills (N)
Repeatable	No
Grading Policy	Standard Letter (S), • Pass/No Pass (B)

## Course Description

Covers cost accounting concepts and practices. Includes the determination, analysis, and control of product costs (materials, labor, and overhead) through traditional and advanced costing systems. Other managerial tools such as budgeting and break-even analysis and cost accounting on government contracts are also considered. PREREQUISITE: ACCT A102 or ACCT A102H. Transfer Credit: CSU.

## Course Level Student Learning Outcome(s)

1. Describe the features of different cost accounting systems and utilize these systems to determine product cost.
2. Calculate, interpret and determine the disposition of standard cost variances.
3. Design and prepare cost reports for management use.

## Course Objectives

- 1. Compare and contrast cost accounting systems such as job cost and process costs.
- 2. Evaluate alternative courses of action in making decisions
- 3. Analyze historical cost data to help management review performance.
- 4. Explain the different methods of inventory valuation including the advantages and disadvantages of each.
- 5. Identify excess and obsolete levels of inventory and adjust general ledger balances accordingly
- 6. Design and prepare cost reports for use of internal and external users.
- 7. Evaluate competing demands for limited capital budget
- 8. Evaluate shop floor data to ensure accuracy of resultant accounting entries
- 9. Forecast overhead and standard costing rates and perform analysis of variances

## Lecture Content

Introduction to cost accounting Overview of course Explain the role of cost accounting in an organization. Specify the objective of cost

accounting and how it relates to organizational goals Evaluate the role of cost information in decision-making Discuss the importance of internal controls source data integrity. Discuss the impact of the Sarbanes-Oxley Act Basic cost terminology and behaviors Recognize that different activities cause different types of costs to be important Identify fixed and variable costs for a particular activity Examine various economic cost concepts Evaluate overhead allocation techniques Learn to allocate overhead costs to products Calculate a predetermined overhead rate based on different activity levels and account for under and over-applied overhead Absorption vs. Variable Costing Motivations for variable costing systems GAAP compliance relating to the two methodologies Introduce contribution margin on the variable costing income statement Job order Costing Diagram the flow of cost through the accounts in a manufacturing product costing system Describe the steps of accounting for overhead Identify and explain the different types of product costing systems Accumulate, classify, and assign costs to products in a job costing system Direct Cost Allocations Cost Reporting Cost ledger examples including cost segregation identifiers Allocating direct costs which are impractical to charge discretely Cost reporting for internal users Activity Based Costing Explain the importance of activity based costing (ABC) to internal decisions Choose appropriate cost drivers and apply costs to products using ABC Calculate Manufacturing Cycle Efficiency (MCE) Determine value-added activities vs non-value added Process costing Explain the flow of costs in a process costing system Compute equivalent units for a process costing system Compare the FIFO and weighted average methods using a process costing system Calculate the costs per unit for a process costs system, FIFO and weighted average methods Standard costing Describe the advantages and disadvantages of a standard cost system Describe how standards are set for material, labor, and overheads Learn how to calculate direct material and direct labor variances to determine their causes Calculate and interpret mix and yield variances for labor and material Calculate and interpret sales mix and quantity variances Calculate and interpret three way direct materials variance Calculate variances for variable and fixed overhead Discuss disposing of cost variances for financial reporting Discuss disposing of cost variances for financial reporting Master Budget Analysis Explain why budgeting is a useful exercise for an organization Identify and describe different types of budgets Prepare a master budget Explain responsibility accounting Explain zero-based budgeting Analysis of Break-even point relationship to pricing decisions Find the break-even point (dollars/units) of a product or service Use contribution margin to determine sales required to earn a given profit Using break-even analysis for cost control Relevant Costing Determine which costs are relevant to situational decisions Discuss the concept of sunk costs Select relevant costs relative to the following: decisions regarding use of scarce resources product or service termination make or buy decisions bidding for a special order Responsibility Accounting Transfer Pricing Describe cost allocation procedures with service departments Describe methods of allocation service department costs: direct step down reciprocal dual allocation Discuss the three primary pricing methodologies of inter-organizational transfers Introduce/discuss the concept of elimination entries at consolidation Cost Accounting on Government Contracts Introduction to the Cost Accounting Standards Board Introduction to the Cost Accounting Standards The Disclosure Statement Avoiding defective pricing issues Surviving the audit of the defense contractor Capital Budgeting Capital Justification Capital rationing Capital justification using payback period Capital justification using the Net Present Value (NPV) method Capital justification using internal rate of return (IRR) Corporate hurdle rate concepts Validating claims of savings based upon capital justifications Cost Accounting Issues relating to Inventories Perpetual vs. Periodic Systems Reconciling the General Ledger to the physical balance Providing quantitative

inventory measures to management Inventory write-downs – Lower of cost or market Dealing with excess obsolete Cost Management Systems  
 Cost Management Systems Role of the cost accountant in supporting:  
 Gap analysis Enterprise Resource Planning Cost Management Systems  
 Management Information Systems Manufacturing Resource Planning  
 (MRP II)

## Method(s) of Instruction

- Lecture (02)
- DE Live Online Lecture (02S)

## Instructional Techniques

The instructional methodologies include lecture, discussion, PowerPoint slides, analysis of demonstration problems, and review of homework assignments. Student participation is encouraged by having students present to the class their approach to solving the homework assignments.

## Reading Assignments

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## Writing Assignments

Two case studies are assigned each semester. Small groups are formed for discussion of alternative solutions; the case write-ups are individual efforts. Case studies are practical exercises covering topics discussed in class.

## Out-of-class Assignments

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## Demonstration of Critical Thinking

There are 3 midterm examinations plus a final, 12 homework assignments (selected from chapters in the textbook), and 2 case studies involving group problem-solving.

## Required Writing, Problem Solving, Skills Demonstration

Two case studies are assigned each semester. Small groups are formed for discussion of alternative solutions; the case write-ups are individual efforts. Case studies are practical exercises covering topics discussed in class.

## Textbooks Resources

1. Required Kinney, Michael, et al.. Cost Accounting: Foundations Evolutions, ed. Mason: Thomson South Western, 2006 Rationale: -