

COLLEGE OF MICRONESIA - FSM  
P.O. Box 159,  
Pohnpei FM 96941

**COURSE OUTLINE COVER PAGE**

**COST ACCOUNTING**

Course Title

**AC325**

Department and Number

**COURSE DESCRIPTION**

This is a one-semester course that covers cost accounting system output relevant to managerial decision-making, planning and control. The course builds on the foundation already established by the managerial accounting course completed by the student. Topics covered include absorption/variable costing and CVP analysis, relevant costing, budgeting, financial management, inventory and production management techniques, emerging management practices, responsibility accounting and transfer pricing, and measurement of short- and long-run organizational performance.

Credits

**Course Prepared by:** **Division of Business Administration**      **State**      **COM-FSM National Campus**

	Hours per Week		No. of Week		Total Hours	Semester
Lecture	3	x	16	x	48/16	= 3
Laboratory		x		x		=
Workshop		x		x		=
					Total Semester Credits	= 3

**Purpose of Course:** Degree Requirement  
Degree Elective  
Certificate          
Other

**Prerequisite Course(s):**      **AC250-Managerial Accounting**

**SPENSIN JAMES (SGD)**  
Signature, Chairperson, Curriculum Committee

**11/30/01**  
Date Approved by Committee

**SUSAN MOSES (SGD)**  
Signature, President, COM-FSM

**12/03/01**  
Date Approved by Committee

## **A: GENERAL OBJECTIVES:**

This course covers the cost accounting system output relevant to managerial decision-making, planning and control and builds on the foundation already established by the managerial accounting course. The course takes the student beyond determination of cost for financial statement valuation purposes:

- 1) The student is expected to develop a deeper understanding of managerial information needs and processes in an organization.
- 2) The student will also be able to describe the role of cost accounting in providing planning, controlling, decision-making and performance evaluation information needed by the organization.

## **B: SPECIFIC OBJECTIVES:**

By the end of the course, the student will be able to:

1. Identify and calculate
  - a) cost accumulation / cost presentation
  - b) absorption / variable costing
  - c) product / period costs
  - d) cost-volume-profit analysis
  - e) contribution margin in units and dollar
  - f) break-even point in unit dollars
  - g) sale, cost of goods sold, gross profit and net income
  - h) profit before and after taxes based on fixed cost
  - i) incremental analysis
  - j) degree of operating leverage
2. Explain the concept of relevance and sunk costs by:
  - a) association with decision
  - b) importance to decision maker
  - c) bearing on the future
  - d) outsourcing, scarce resources, sales mix and product line decisions
3. Describe the Master Budget and prepare the various component budgets.
  - a) operating / financial
  - b) sales / production
  - c) personnel
  - d) capital
  - e) cash
  - f) budgeted financial statements
4. Explain the purpose of capital budgeting and calculate:
  - a) cash flow using time-lines and payback period
  - b) discounted cash flow using NPV, profitability index, and IRR
  - c) the effect of depreciation on after-tax cash flows

5. Identify and describe the various elements of cost control:
  - a) cost control systems and cost changes
  - b) committed vs. discretionary costs
  - c) use of budgets as a cost control tool
    - i) activity-based budgeting
    - ii) program budgeting
    - iii) zero-based budgeting
  
6. Explain:
  - a) the importance of inventory management
  - b) the production flow
  - c) the use of flexible manufacturing systems and how they relate to computer-integrated manufacturing
  - d) the theory of constraints
  - e) purchasing costs and carrying costs and how they are computed
  - f) push and pull systems of production control work
  - g) product life cycles and how they affect product costing and profitability
  - h) target costing/just-in-time philosophy and how they affect production
  
7. Explain the concepts of:
  - a) business reengineering and change
  - b) competitive force/diversity in the firm
  - c) enterprise resources planning and its potential benefits to the firm
  - d) open-book management
  - e) environmental cost control
  
8. Explain
  - a) the differences among various types of responsibility centers
  - b) the allocation of services department costs
  - c) transfer pricing and how it is calculated
  - d) the advantages and disadvantages of service transfer prices
  
9. Describe
  - a) performance measure and how they are tied to organizational mission and strategies
  - b) guidelines or criteria that apply to the design of performance measures
  - c) traditional short-term financial performance measure of profit and investment centers
  - d) the statement of Cash Flows and its usefulness in performance measurements
  - e) the similarities and differences of return on investment and residual income
  - f) the use of ROI and how it creates subsidization in investment decision
  
10. Describe:
  - a) the importance of a vision statement to the firm
  - b) long-run objectives vis-à-vis short-run objectives
  - c) non-financial performance measure
  - d) how activity-based costing is used in long-run performance evaluation

e) performance measurement constraints

**C: COURSE CONTENT:**

Absorption/Variable Costing and Cost-Volume-Profit analysis  
Relevant Costing  
The Master Budget  
Capital Budgeting  
Financial Management  
Innovative Inventory and Production Management Techniques  
Emerging Management Practices  
Responsibility Accounting and Transfer Pricing in Decentralized Organizations  
Measuring Long-Run and Non financial Organizational Performance

**D: TEXTBOOK:**

*Cost Accounting: Traditions and Innovations, 4e, by Barfield, Raiborn and Kinney, South-Western Publishing: Cincinnati, 2001*

**E: REQUIRED COURSE MATERIALS:** Financial calculator

**F: METHODS OF INSTRUCTION:**

Lecture, class discussions, projects, quest speakers, and various individual and group assignments.

**G: EVALUATION:**

Grades will be assigned based in the following percentage of total points received from projects, quizzes, homework practice sets, and exams.

90-100% = A; 80-89% = B; 70-79% = C; 60-69% = D; 59 and below = F

**H: CREDIT BY EXAMINATION AVAILABLE FOR THE COURSE:**

None.

**I: ATTENDANCE POLICY:**

The College attendance policy