

**UNIVERSITY OF PUERTO RICO
BAYAMÓN CAMPUS
BUSINESS ADMINISTRATION
Bachelor's degree in accounting**

SYLLABUS

- COURSE TITLE** : ***COST ACCOUNTING II***
- COURSE CODIFICATION** : **CONT. 4005**
- PREREQUISITES** : **Cont. 3025**
- CREDIT HOURS** : **Four (4) credit hours**
- MEETING HOURS** : **Four hours a week**
- COURSE DESCRIPTION** : Study of different ways of applying cost accounting to achieve planning and control of costs. These include control of fixed and variable budgets, standard and manufacturing costs, analysis of marginal income, distribution, and administrative costs. Inventory control and procedures, labor, and indirect costs are also emphasized. Different costs, usefulness of graphs for representing cost information and alternatives, and a series of analytical techniques needed by the accountant to provide information to administration are studied.
- TEXT** : Cost Accounting: A Managerial Emphasis, Eleventh edition, Horngren, Datar & Foster. Prentice-Hall, 2003.
(www.prenhall.com/horngren)
- SUPPLEMENTARY READING:** Selected articles of accounting journals
- EVALUATION METHODS** : Includes:
- Two or three tests

- Group investigation of a selected manufacturing company. A written and oral presentation will be required.
- Internet problems
- Final examination
- Grade distribution:

Examinations	50%
Written and oral presentation	40%
Class participation.....	<u>10%</u>
Total.....	<u>100%</u>
- Grade scale as follows:
 - 100-90 A
 - 89-80 B
 - 79-70 C
 - 69-60 D
 - 59-0 F

General objectives :

- To motivate students in the process of learning and searching information related to cost accounting, interacting with the business community, and other media, according with technology development .
- To develop critical thinking skills, using information gathered from the accounting system, and participating in the decision making process
- To prepare students to recognize the role of cost accounting in organization: becoming an integral part of the decision-making process instead of data providers.
- To motivate students to maintain the highest standards of ethical conduct as future professionals.
- To motivate students develop good habits of team-work.
- To develop high standards of communication's skills.

Specific objectives :

- Identify what distinguishes variable costing from absorption costing.
- Prepare income statements under absorption costing and variable costing and analyze the differences between the operating income amounts.
- Understand how absorption costing can provide undesirable incentives for managers to build up finished goods inventory.
- Describe the various capacity concepts that can be used in absorption costing.

- Analyze the factors that managers considers in choosing a capacity level to compute the budgeted fixed overhead cost rate.
- Explain how the capacity level chosen to calculate the budgeted fixed overhead cost rate affects the production-volume variance.
- Explain the assumptions frequently used in cost-behavior estimation.
- Outline the steps in estimating a cost function on the basis of past cost relationships.
- Explain the decision process to make decisions.
- Differentiate relevant from irrelevant costs and revenues in decision situations.
- Distinguished between quantitative and qualitative factors in decision making.
- Analyze two potential problems in decision making
- Explain the opportunity-cost concept and why it is used in decision making.
- Analyze factors in the decision to choose which products to produce when there are capacity constraints.
- Discuss factors managers must consider when adding or discontinuing customers and segments.
- Explain why book value of equipment is irrelevant in equipment-replacement decisions.
- Explain how conflicts can arise between the decision model used by a manager and the performance evaluation model used to evaluate the manager.
- Discuss the factors that influences on prices
- Distinguished short-run from long-run pricing decisions.
- Price products using target-costing approach.
- Price products using the cost-plus approach.
- Use life-cycle budgeting and costing when making pricing decisions.
- Describe price practices in which non-cost factors are important when setting prices.
- Recognize the strategy a company is using.
- Identify what comprises reengineering.
- Present the four perspectives of the balanced scorecard.
- Analyze changes in operating income to evaluate strategy.
- Identify unused capacity and how to manage it.
- Identify purposes for allocating costs to costs objects.
- Analyze the criteria to cost allocation decisions.
- Discuss decisions faced when collecting costs in indirect cost pools.

- Discuss why a company's revenues can differ across customers purchasing the same product.
- Analyze additional information about sales volume and quantity variances.
- Differentiate between different methods for allocating costs.
- Understand how the uncertainty user managers face is affected by the choice between budgeted and actual cost allocation rates.
- Allocate support department costs using different methods.
- Allocate common costs using different methods.
- Explain different cost categories in a costs-of-quality program.
- Analyze different quality problems.
- Identify the relevant costs and benefits of quality improvements.
- Present examples of non-financial quality measures of customer satisfaction and internal performance.
- Describe the benefits of financial and non financial measures of quality
- Describe customer-response time and explain why delays happen and their costs.
- Explain the theory of constraints.
- Present management for bottlenecks.
- Recognize the multiyear focus on capital budgeting.
- Understand the capital budgeting for a project.
- Present and evaluate the discounted cash flow methods: present value method and the internal rate of return.
- Present and evaluate the payback period method.
- Identify and reduce conflicts from using discounted cash flow methods for capital budgeting decisions and accrual accounting for performance evaluation.
- Identify relevant cash flows and outflows for capital budgeting decisions.

EDUCATIONAL STRATEGIES:

Conferences, discussion of cases and problems, excel and internet problems, team-group analysis of ethics situations and collaborative problems. A special team group investigation will be developed of a manufacturing company. The group will present the company situation according with the class subject. Instructional modules for self-study and reinforcement will be assigned. Selected articles on related topics will be discussed.

COURSE OUTLINE

TOPICS	CHAPTER	HOURS
I. Inventory Costing and Capacity Analysis A. Variable Costing and Absorption Comparing Income Statements. B. Performance Measures and Absorption Costing C. Comparison of Inventory Costing Methods D. Alternative denominator-level capacity concepts and absorption costing E. Choosing a capacity level. F. Capacity costs and denominator level issues	9	4
II. Determining how costs behave A. General issues in estimating costs functions. B. The cost-and -effect criterion in choosing costs drivers. C. Cost estimation methods.	10	2
III. Decision making relevant information A. The decision process B. The concept of relevance C. Choosing output levels D. Insourcing vs. outsourcing and make vs. buy decision. E. Opportunity costs, outsourcing and capacity constraints. F. Product mix decisions under capacity constraints. G. Customer profitability, activity-based costing and relevant costs H. Irrelevance of past costs and equipment replacement decisions. I. Decisions and performance evaluation	11	6

IV. Pricing decisions and cost management A. Major influences on pricing decisions B. Costing and pricing for the short-run. C. Costing and pricing for the long-run. D. Target costing for target pricing. E. Cost-plus pricing. F. Life-cycle product budgeting and costing G. Other considerations in pricing decisions	12	6
EXAMINATION	9,11,12	2
V. Strategy, balanced scorecard and strategic profitability analysis A. Analysis of different strategies B. Implementation of strategy and the balanced scorecard C. Evaluating the success of a strategy D. Strategic analysis of operating income E. Downsizing and the management of capacity	13	4
VI. cost allocation, customer profitability analysis, and sales-variance analysis A. Purposes of cost allocation B. Criteria to guide cost-allocation decisions C. Cost allocation and costing systems D. Customer revenues and customer costs E. Customer profitability profiles F. Sales variances: sales mix and sales quantity variances G. Market share and market size variances	14	4
VII. Allocation of support department costs, common costs and revenues A. Allocating costs of a support department to operating divisions B. Allocating costs of multiple support departments C. Allocating common costs D. Cost allocations and contracts E. Revenue allocation methods	15	6
EXAMINATION	13,14,15	2
VIII. Quality, time and the theory of constraints A. Quality as a competitive tool B. Costs of quality C. Techniques used to analyze the quality problems	19	6

D. Relevant costs and benefits of quality improvement E. Costs of design quality F. Non-financial measures of quality and customer satisfaction G. Evaluating quality performance H. Time as a competitive tool I. Time drivers and costs of time J. The theory of constraints		
IX. Capital budgeting and cost analysis A. The dimensions of cost analysis B. Stages of capital budgeting C. Discounted cash flow methods D. Sensitivity analysis E. Payback method F. Evaluating managers and goal congruence issues G. Relevant cash flows in discounted cash flow analysis H. Managing the project I. Strategic considerations in capital budgeting	21	8
X. Oral team-group presentations of manufacturing companies		8
XI. Review		2
Total hours		<u>60</u>

Revised by:
Prof. Sonia Feliciano
April, 2003

BIBLIOGRAPHY

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- Hendricks, J. and K. Rose, "Accountants on the Line," *Management Accounting* (June, 1998), pp. 45-48.
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<http://www.prenhall.com/horngren>

<http://www.aicpa.org>

<http://www.biz.yahoo.com/i>

<http://www.rutgers.edu>

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