Course Outline for Business 1B

MANAGERIAL ACCOUNTING

Catalog Description:

BUS 1B - Managerial Accounting 4.00 units
Examines how managers use accounting information in decision-making, planning, directing, operating, and controlling. Emphasis on cost terms and concepts, cost structure, cost behavior, cost-volume-profit analysis, profit planning, budgeting, budgetary controls, cost controls, accounting for manufacturing costs and ethics.
Prerequisite: BUS 1A (completed with a grade of "C" or higher)

Grading Option: Optional

Discipline:

<table>
<thead>
<tr>
<th>Units</th>
<th>Contact Hours</th>
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<tbody>
<tr>
<td></td>
<td>Week</td>
</tr>
<tr>
<td>Lecture</td>
<td>4.00</td>
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<tr>
<td>Laboratory</td>
<td>0.00</td>
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<tr>
<td>Clinical</td>
<td>0.00</td>
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<tr>
<td>Total</td>
<td>4.00</td>
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Prerequisite Skills:

Before entry into this course, the student should be able to:
1. define accounting, list users of accounting information, and distinguish between financial and managerial accounting;
2. describe basics of the US Generally Accepted Accounting Principles (GAAP) and its differences from the International Financial reporting Standards (IFRS);
3. prepare, apply and demonstrate an understanding of various forms of corporate financial statements including income statement, statement of stockholders’ equity (including statement of retained earnings), statement of retained earnings, and statement of cash flows;
4. differentiate among operating, investing, and financing activities on the statement of cash flows;
5. complete the accounting cycle: prepare journal entries, post to ledger, perform adjusting and closing entries at the end of the period using accrual basis and corporate form of business;
6. process transactions relating to a service and a merchandising business;
7. apply different methods of valuing inventory and calculating depreciation;
8. analyze financial statements using horizontal, vertical, and ratio analyses and data from annual reports and notes to the financial statements;
9. identify ethical issues, decide appropriate course of action by applying critical thinking and communication skills;
10. use appropriate accounting terminology as it applies to various business scenarios.

Measurable Objectives:

Upon completion of this course, the student should be able to:
1. compare and contrast financial and managerial accounting;
2. identify and illustrate the primary activities and informational needs of managers and explain the role of the managerial accountant as a member of the management team;
3. understand various cost terms and concepts and evaluate their relevance for business decision-making;
4. distinguish between period and product costs, prepare and evaluate a schedule of cost of goods manufactured and sold including income statement;
5. prepare traditional and contribution margin income statements; define related terms; explain cost-volume-profit analysis, degree of operating leverage and safety margin;
6. discuss product and job order costing, cost flow and preparation of related reports;
7. discuss the importance of technology in manufacturing, its implications on product costs and develop activity-based costing, preparation of activity based cost reports;
8. prepare various types of budgets including master, operating, financial, static and flexible budgets, relating budgets to planning and controlling functions of management;
9. develop standard costs, prepare and interpret variance analysis and relate them to responsibility accounting and control;
10. interpret the relationship between cost, volume and profit, apply it to investment centers, prepare and analyze segment reports;
11. compare and contrast absorption costing and variable costing;
12. analyze relevant costs and benefits, prepare analyses of special decisions, accept or reject a special order, make or buy, sell or process further, retain or replace equipment, eliminate unprofitable segment, add or drop a product or service;
13. discuss the nature of capital expenditure decisions and apply and evaluate various methods used in making these decisions;
14. identify and analyze ethical issues relating to managerial accounting;
15. apply analytical, critical thinking and communication skills through group assignments and case studies.

Course Content:

1. Introduction to management accounting
   A. Financial versus managerial accounting
   B. Business ethics
   C. Management functions
Upon the completion of this course, the student should be able to:

Student Learning Outcomes

1. Typical Assignments
   A. Costing procedures and ethics- Kevin Smith, the production manager of Stittts Metal Products Company, entered the office of controller Ed Harris and asked, “Ed, what gives here? I was charged for 330 direct labor hours on Job Ad22, and my records show that we spent only 290 hours on that job. That 40-hour difference caused the total cost of direct labor and overhead for the job to increase by over $5,500. Are my records wrong, or was there an error in the direct labor assigned to the job?” Harris replied, “Don’t worry about it, Kevin. This job won’t be used in your quarterly performance evaluation. Job AD22 was a federal government job, a cost-plus contract, so the more cost we assign to it, the more profit we make. We decided to add a few hours to the job in case there is some follow-up work to do. You know how fussy the feds are.” What should Kevin Smith do? Discuss Ed Harris’s costing procedure.

B. Hotshots Manufacturing uses a job order cost system and applies overhead to production on the basis of direct labor hours. On January 1, 2005, Job No. 30 was the only job in process. The costs incurred prior to January 1 on this job were as follows: direct materials $15,000; direct labor $10,000; and manufacturing overhead $12,500. Job No. 26 had been completed at a cost of $65,000 and was part of finished goods inventory. There was a $6,000 balance in the Raw Materials Inventory account. During the month of January, the company began production on Jobs 31 and 32, and completed Jobs 30 and 31. Jobs 26 and 30 were sold on account during the month for $100,000 and $110,000, respectively. The following additional events occurred during the month. 1) Purchased additional raw materials of $65,000 on account. 2) Incurred additional labor costs of $53,000. Of this amount $8,000 related to employer payroll taxes. 3) Incurred manufacturing overhead costs as follows: indirect materials $15,000; indirect labor $10,000; depreciation expense $18,000; and various other manufacturing overhead costs on account $9,000. 4) Assigned direct materials and direct labor to jobs as follows: The company uses direct labor hours as the activity base to assign overhead. Direct labor hours incurred on each job were as follows: Job No. 30, 300; Job No. 31, 1200; and Job No. 32, 900. Instructions 1)Calculate the predetermined overhead rate for the year 2005, assuming Hotshots Manufacturing estimates total manufacturing overhead costs of $562,500, direct labor costs of $450,000, and direct labor hours of 30,000 for the year. 2) Open job cost sheets for Jobs 30, 31, and 32. Enter the January 1 balances on the job cost sheet for Job No. 30. 3) Prepare the journal entries to record the purchase of raw materials, the factory labor costs incurred, and the manufacturing overhead costs incurred during the month of January. 4) Prepare the journal entries to record the assignment of direct materials, direct labor, and manufacturing overhead costs to production. In assigning manufacturing overhead costs, use the overhead rate calculated on page 8. 5) Total the job cost sheets for any job(s) completed during the month. Prepare the journal entry (or entries) to record the completion of any job(s) during the month. 6) Prepare the journal entry (or entries) to record the sale of any job(s) during the month. 7) What is the balance in the Work in Process Inventory account at the end of the month? What does this balance consist of? 8) What is the amount of over- or under-applied overhead?

2. Methods of Evaluating Student Progress
   A. Exams/Tests
   B. Assignments/problems
   C. Case studies
   D. Group Projects
   E. Class Participation
   F. Final Examination

3. Student Learning Outcomes
   Upon the completion of this course, the student should be able to:
   A. Compute and analyze product cost using job order costing system.
   B. Compute and analyze product cost using process costing system.
C. Prepare and analyze statement of cash flows for corporations.

Textbooks (Typical):

Special Student Materials
1. Calculator

Abbreviated Class Schedule Description:

Prerequisite: BUS 1A (completed with a grade of "C" or higher)