

12-46
App-10/2/12
Info-11/6/12

Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

Existing and Special Topics Course

Course: ACCT 311: Cost Accounting

Instructor(s) of Record: Dr. Ronald Woan; Dr. Monsurur Rahman

Phone: 7-7565; 7-5741 Email: ronwoan@iup.edu; mrahman@iup.edu

Step Two: Departmental/Dean Approval

Recommendation: Positive (The objectives of this course can be met via distance education)
 Negative

G. C. [Signature] 9/25/2012
Signature of Department Designee Date

Endorsed: [Signature] 9/25/2012
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

Step Three: University-wide Undergraduate Curriculum Committee Approval

Recommendation: Positive (The objectives of this course can be met via distance education)
 Negative

Gail S. Sedwist 10/2/12
Signature of Committee Co-Chair Date

Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

Step Four: Provost Approval

Approved as distance education course Rejected as distance education course

[Signature] 10/5/12
Signature of Provost Date

Forward-form and supporting materials to Associate Provost.

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Liberal Studies

Undergraduate Distance Education Review Form
(Required for all courses taught by distance education for more than one-third of teaching contact hours)

Existing and Special Topics Course

Course: ACCT 311: Cost Accounting

Instructor(s) of Record:

Ronald Woan, Ph.D.

Phone: 7-7565

Email: ronwoan@iup.edu

Monsurur Rahman, DBA, CPA, CMA

Phone: 7-5741

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Step One: Proposers

A. Provide a brief narrative rationale for each of the items, A1- A5.

- 1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?**

Dr. Ronald Woan

- In his twenty-one years at IUP, Dr. Woan has developed and taught several on-line and hybrid courses. These include ACCT 201 and ACCT 202.
- Dr. Woan has taught Cost and Advanced Cost Accounting for many years both at IUP and elsewhere.
- Dr. Woan has used Pearson's *MyAccountingLab*, *MyLab/Mastering*, McGraw-Hill's *Connect Accounting*, WebCT, Moodle and D2L for course deliveries.
- Dr. Woan is approved by the Graduate School for graduate instruction and is classified as being Academically Qualified according to the standards of the Association to Advance Collegiate Schools of Business.

Dr. Monsurur Rahman

- In his fifteen years at IUP, Dr. Rahman has developed and taught several on-line and hybrid courses. These include ACCT 201 and ACCT 202.
- Dr. Rahman has taught Cost and Advanced Cost Accounting for many years both at IUP and elsewhere.
- Dr. Rahman has used Pearson's *MyAccountingLab*, *MyLab/Mastering* and WebCT, for course deliveries. Currently, he is learning D2L, so that he can deliver courses using that platform.
- Dr. Rahman is approved by the Graduate School for graduate instruction and is classified as being Academically Qualified according to the standards of the Association to Advance Collegiate Schools of Business.

2. How will each objective in the course be met using distance education technologies?

For all objectives;

1. The instructor will develop and set-up all of the required learning resources on IUP's Learning Management System (LMS) and the textbook publisher's on-line learning electronic platform.
2. This on-line course will require students to purchase a selected textbook and the textbook's on-line access code so that they can complete on-line homeworks and other on-line assessments.
3. The on-line course will also use IUP's Learning Management System (LMS) to provide learning resources and assessments for students. These include course materials, quizzes, exams, assignments, video, and discussion board.
4. During the semester, the instructor will respond to student emails on a daily basis and will monitor the discussion board.
5. The LMS will display individual student grades so that students can monitor their cumulative grade as the semester progresses.

Objectives

1. To review traditional techniques to account and control for material, labor, and overhead costs associated with manufactures.
 - To meet this objective, students should (preferably in this order):
 - i. Read the chapters in the text book
 - ii. Read through the power point slides provided on the LMS.
 - iii. Complete on-line homework assignments scheduled by the instructor. Students is allowed three attempts to complete each question to fully understand the Concepts involved.
 - iv. Attempt a one-hour quiz, available on *Connect Accounting* to enhance students' competency. Students will have two attempts with the higher score used for grading.
2. To review traditional techniques to account and control for labor and overhead costs associated with service organizations.
 - To meet this objective, students should (preferably in this order):
 - i. Read the chapters in the text book
 - ii. Read through the power point slides provided on the LMS
 - iii. Complete an on-line homework assignments scheduled by the instructor. Students have three attempts to complete each question
 - iv. Attempt a one-hour quiz, available on *Connect Accounting* to enhance students' competency. Students will have two attempts with the higher score used for grading.

3. To introduce new cost accounting concepts such as accounting for quality costs, manufacturing cycle time, target and kaizen costing, and cost drivers associated with activity-based cost allocation procedures.
 - To meet this objective, students should (preferably in this order):
 - i. Read the chapters in the textbook
 - ii. Read through the power point slides provided on the LMS.
 - iii. Complete an on-line homework assignments assigned by the instructors. Students have three attempts to complete each question
 - iv. Attempt a one-hour quiz, available on *Connect Accounting* to enhance students' competency. Students will have two attempts with the higher score used for grading.
4. To apply budget preparations to spreadsheet template formats
 - To meet this objective, students should (preferably in this order):
 - i. Read the chapters in the textbook
 - ii. Read through the power point slides provided on the LMS.
 - iii. Complete an on-line homework assignments assigned by the instructors. Students have three attempts to complete each question
 - iv. Attempt a one-hour quiz, available on *Connect Accounting* to enhance students' competency. Students will have two attempts with the higher score used for grading.

How will instructor-student and student-student, if applicable, interaction take place?

Instructor interaction with the students will occur on different levels and times throughout the course. That is;

- i. At the beginning of the course during the presentation of the syllabus and overall orientation of the student to distance education.
- ii. During the course in the presentation of new materials and in response to general questions and comments raised by students.
- iii. Individualized assistance during scheduled online office hours.
- iv. Instructor participation via the discussion board.

Student-student interaction will take place via the discussion board and email.

4. How will student achievement be evaluated?

Student achievement will be determined by several criteria:

- a. On-line homework assignments. Software provided by the textbook publisher will be used to assign homework and assist the instructor in scoring and monitoring the student's progress. The software enables students to attempt the homework up to three times and provides students with instant feedback on their responses. It also provides the students with the opportunity to work additional problems and check their answers. The highest score attained by a student counts towards his/her final grade.
- b. On-line quizzes. Several quizzes will be given on-line to allow the student to determine their competency of the course concepts. Students will be allowed two attempts. The quiz questions

will be algorithmic thereby requiring students to work every question on each attempt. The higher score counts towards the student's final grade.

- c. Exams. Three ninety minutes on-line exams as ultimate measure/assessment of students' competency will be administered. Students have two attempts to complete each question with the higher score chosen for grade.

5. How will academic honesty for tests and assignments be addressed?

The course syllabus will detail the university's Academic Integrity Policy and it will be a part of the on-line orientation. Students will also be asked to acknowledge the receipt of this policy and their understanding of the consequence relating to academic dishonesty. Class assignments/quizzes/exams/and reports will be designed, monitored and implemented in such a way as to reduce the student's opportunities to cheat or plagiarize. Examples would include:

- a. The allotted time and window for completing the quiz and exam will restrict each student's opportunities to seek external assistance.
- b. Quiz and exam questions will be algorithmic and scrambled.
- c. The ability to print quiz and exam questions and answers will be blocked.

Since the issue of academic honesty is of major concern in the delivery on distance learning courses, as new techniques are developed to reduce dishonest behavior, they will be incorporated into the course.

- B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.

Appendix A: Current Syllabus of Record

Syllabus of Record - ACCT 311

I. Catalog Course Description

ACCT311: Cost Accounting 3 credits
Prerequisite: "C" or better in ACCT202 – Accounting Principles II 3 lecture hours
(3c-01-3sh)

Studies the aggregation and use of financial information for internal management decision-making. Discussion will concentrate on cost management system designs, cost estimation methods for budget preparation and achievement, cost accumulation methods for manufacturing and service organizations, inventory control procedures, and transfer pricing administration and managerial performance evaluation techniques.

II. Course Objectives

1. To review traditional techniques to account and control for material, labor, and overhead costs associated with manufactures:
2. To review traditional techniques to account and control for labor and overhead costs associated with service organizations.
3. To introduce new cost accounting concepts such as accounting for quality costs, manufacturing cycle time, target and kaizen costing, and cost drivers associated with activity-based cost allocation procedures.
4. To apply budget preparations to spreadsheet template formats.

III. Course Outline (42 Semester Hours)

- I. Introduction to Cost and Management Accounting (2 hours)
 - A. Differences between Financial and Managerial Accounting
 - B. Relationship between Cost and Managerial Accounting
 - C. Role of Management Accounting in current Business Environment
 1. Planning-Budgeting
 2. Information Feedback
 3. Performance Evaluation
 4. Strategic Decision-Making
 - D. The Management Accounting Accountants
 1. Institute of Management Accountants
 2. Certified Management Accountant
 - a. Examination Contents and Qualifications
 - b. Ethical Standards for Management Accounting Professionals
 - E. Interrelationship between Strategic Planning and Management Accounting
 1. Corporate Mission
 - a. Build
 - b. Hold
 - c. Harvest
 2. Strategic Plans
 3. Master Budget
 4. Performance Standards

II. Cost Management Systems (2 hours)

A. Types of information

- 1. Internal**
 - a. Planning (Budgeting)**
 - b. Control (Actual)**
 - c. Decision-Making**
 - d. Performance**
- 2. External**
 - a. Customers**
 - b. Competition**
 - c. Government**
 - d. Suppliers**
 - e. Investors**

B. Cost System Integration

- 1. Financial Accounting**
- 2. Production Reporting**
- 3. Inventory Management**
- 4. Production Scheduling**
- 5. Research and Development**
- 6. Quality Control**
- 7. Marketing**

C. System Design

- 1. Organizational Form**
 - a. Corporation**
 - b. Partnership**
- 2. Organizational Structure**
 - a. Decentralization vs. Centralization**
 - b. Culture**
- 3. Organization Mission**
 - a. Critical Success Factors**
 - i. Product Differentiation**
 - ii. Cost Leadership**

D. System Elements

- 1. Motivation**
 - a. Performance Measurements**
 - b. Reward Structure**
 - c. Congruence of Budgeted goals with Reward Structure**
- 2. Information**
 - a. Budgeted Data**
 - b. Product Life-Cycle**
 - c. Value-added Activities**
 - d. Target and Kaisen Costing**
- 3. Reporting Elements**
 - a. Financial Statements**
 - b. Responsibilities Reports**

III. Organizational Quality (3 hours)

- A. Measurement of Production Quality**
 - 1. Value Added vs. Non-Value-Added activities**
 - 2. Effect on Production Costs**
- B. Measurement of Customer Quality Perception**
 - 1. Product Quality**
 - a. Performance – Sales Returns**
 - b. Reliabilities – Warranty Costs, Defective Units**
 - c. Conformance to Specification – Statistical Control Charts, Maintenance time and Costs**
 - d. Serviceability – number of Product Repairs**
- C. Total Quality Measurement (TQM)**
 - 1. Total Quality System**
 - a. Emphasis on Prevention of Product Defects/Poor Service**
 - b. Continuous Improvement**
 - 2. Benchmarking**
 - a. Concept**
 - b. Results Benchmarking**
 - c. Process Benchmarking**
- D. Accounting and Reporting Quality Costs**
 - 1. Cost of Compliance**
 - a. Prevention Costs**
 - i. Screening Costs for new employees**
 - ii. Continuing Education**
 - iii. Identifying Consumer Needs – Research Costs**
 - iv. Engineering Design Costs**
 - v. Prevention Maintenance costs**
 - vi. Supplier Relationship – Purchasing Costs**
 - b. Appraisal Costs**
 - i. Inspection Costs**
 - ii. Quality Control Costs**
 - iii. Quality Audits**
 - iv. Recording Defective Work**
 - 2. Cost of Noncompliance**
 - a. Internal Failure**
 - i. Rework Costs**
 - ii. Waste**
 - iii. Reinspection Costs**
 - iv. Downtime**

- v. Rescheduling Production Interruptions
 - b. External Failure
 - i. Labor and Overhead Costs – Consumer Complaints, Service Department
 - ii. Warranty Costs
 - iii. Opportunity Costs – Lost Future Sales
 - iv. Product Recalls
 - v. Litigation Costs from Defective Products
- 3. Relationships between Compliance, Noncompliance, and Total Quality Costs
- 4. Quality Cost Reporting and Analysis
 - a. Pareto Analysis – 80/20 Rule
 - b. Quality Cost Ledger Accounts – Four Quality Cost Categories
 - c. Cost of Quality report
- 5. International Quality Standards
 - a. ISO 9000 criteria
 - b. Quality Audits for ISO 9000 certification

IV. Cost Allocation Method (3 hours)

- A. Overhead Application Rates
 - 1. Plant – wide
 - 2. Departmental
 - 3. Variable
 - 4. Fixed
- B. Estimating Product Costs
 - 1. Linear Regression Analysis
 - 2. High-Low Method
 - 3. Least Squares Regression Analysis
- C. Applying overhead costs to production
 - 1. Journal Entries
 - 2. Under-applied and Over-applied Overhead
- D. Cost Pools
 - 1. Cost Drivers
- E. Service Department Cost Allocation
 - 1. Cost Drivers
 - a. Research and Development
 - b. Personnel
 - c. Accounting
 - d. Sales and Marketing
 - e. Purchasing
 - f. Legal and Tax
 - g. Executive Compensation
 - 2. Allocation Method
 - a. Direct
 - b. Step
 - c. Algebraic – Linear Programming

V. The Master Budget (3 hours)

- A. Budgeting Process
 - 1. Mission Statement
 - 2. Corporate Strategy and Goals
 - 3. Budgeting Preparation
- B. Financial Budgets
 - 1. Sales

2. Production
 3. Purchasing
 4. Personnel (direct labor)
 5. Overhead
 6. Selling and Administrative
 7. Capital Investment
 8. Cash
 - a. Receipts
 - b. Payments
 9. Income Statement
 10. Balance Sheet
 11. Statement of Cash Flows
- C. Continuous Budgeting

VI. Activity-Based Costing (4 hours)

- A. Product Life Cycles
 1. Development
 2. Introduction
 3. Growth
 4. Maturity
 5. Decline
- B. Costing Method
 1. Target Costing – Development
 2. Kaizen Costing – Production Introduction and Growth
 3. Standard Costing – Maturity and Decline
 4. Life-Cycle Costing
- C. Evaluation of Value-added and Non-Value-added activities
 1. Process Mapping
 2. Value Charts
 3. Classifying and Measuring Activity Time
 - a. Processing Time
 - b. Inspection Time
 - c. Transfer Time
 - d. Manufacturing Cycle Efficiency
 4. Cost Driver Analysis
 - a. Units Costs
 - b. Batch Costs
 - c. Process Costs
 - d. Organizational Costs
- D. Activity-Based Costing
 1. Activity Cost Pools
 2. Activity Cost Driver
 3. Cost Allocation of Procedures
- E. Benefits of Activity-Based Costing
 1. Better Monitoring of Costs
 2. Identification of Wasted Activities and Costs
 3. Cost Control through increased efficiency of Productive Activities
 4. Improved Accuracy of Overhead Cost Allocation to Product/Service Lines
 5. Improving Measurement of Profit Performance of Product/Service Lines
- F. Flow Manufacturing

VII. Job Order Costing (3 hours)

- A. Valuation Methods**
 - 1. Actual Costing
 - 2. Normal Costing
 - 3. Standard Costing
- B. Manufacturing Cost Components**
 - 1. Direct Materials – Materials requisitions
 - 2. Direct Labor – Labor Time Reports
 - 3. Manufacturing Overhead – Applied vs. Actual
- C. Inventory Components**
 - 1. Raw Materials Inventory
 - 2. Work In Process
 - 3. Finished Goods Inventory
- D. Normal Production Sequence and Journal Entries**
- E. Job Order Cost Sheets**

VIII. Process Costing (3 hours)

- A. Equivalent units of production**
- B. Weighted-average vs. FIFO methods**
- C. Normal Production Report**
- D. Cost of Production Process**
 - 1. Single Department
 - 2. Subsequent Departments
 - 3. Supporting Journal Entries

IX. Standard Costing (3 hours)

- A. Development of Production Standards**
 - 1. Materials
 - 2. Labor
 - 3. Overhead
 - 4. Standard Cost Card
- B. Basis for Standards**
 - 1. Ideal Standards
 - 2. Practical Standards
 - 3. Normal Standards
 - 4. Expected Annual Standards
- C. Variances**
 - 1. Materials
 - a. Price Usage Variance
 - b. Price Purchase Variance
 - c. Quantity Variance
 - 2. Labor Variance
 - a. Rate Variance
 - b. Efficiency (time) Variances
 - 3. Overhead Variance
 - a. Variable Overhead
 - i. Spending Variance
 - ii. Efficiency Variance
 - b. Fixed Overhead
 - i. Spending Variance
 - ii. Volume Variance
 - c. Variance Methodologies
 - i. Two-Variance

- ii. Three-Variance
- iii. Four-Variance
- 4. Supporting Journal Entries for Standard Costing System

X. Inventory Control (3 hours)

- I. Inventory Costs
 - 1. Purchasing
 - a. Ordering Costs
 - b. Storage Costs
 - 2. Production
 - a. Setup Costs
 - b. Storage Costs
- B. Economic Ordering Quantity
 - 1. Minimization of Ordering and Storage Costs
 - 2. Formula Calculation
 - 3. Economic Production Runs
- C. Just-in-Time (JIT) Inventory System
 - 1. Purpose
 - a. Purpose of Inventory Costs
 - b. Reduction of Product Defects
 - c. Improved Productivity
 - d. Improved Quality
 - e. Employee Training
 - f. Value Chain
 - i. Supplier
 - ii. Distribution
 - 2. Implementation
 - a. Purchasing Issue
 - i. Quality Materials
 - ii. Suppliers Relationship
 - b. Product Designs
 - i. Standard Rates
 - ii. Manufacturing Simplification
 - iii. Minimal Engineering Changes
 - c. Manufacturing
 - i. Reduced Set-up Time
 - ii. Quality Control
 - d. Plant Layout
 - i. Manufacturing Work Cells
 - ii. Multiprocess Handling
 - e. Flexible Manufacturing Systems
 - f. Computer-Aided Manufacturing
 - g. Flow Manufacturing Systems
- D. Cost Accounting Implications of JIT/Flow Manufacturing Systems
 - 1. Backflush Costing
 - a. Inventory Accounts
 - b. Journal Entries

XI. Responsibility Accounting (3 hours)

- A. Decentralization
 - 1. Advantages
 - 2. Disadvantages
- B. Responsibility Accounting Systems
 - 1. Responsibility Reports

- a. Detailed lower-level reports
 - b. Summary Executive Reports
 - C. Responsibility Centers
 - 1. Cost Centers – Variances
 - 2. Revenue Centers
 - 3. Profit Centers
 - 4. Investment Centers
- XII. Transfer Pricing (3 hours)
 - I. Definition
 - II. Minimum and Maximum values
 - III. Pricing Policies
 - 1. Cost Based
 - a. Variable Cost
 - b. Absorption Cost
 - c. Absorption Cost Plus
 - 2. Market Based
 - 3. Negotiated
 - 4. Dual Pricing
 - IV. Service Transfer Pricing
 - 1. Warehouse
 - 2. Transportation
 - 3. Purchasing
 - 4. Information Systems
 - 5. Personal
 - 6. Engineering
 - 7. Advertising
 - 8. Maintenance
 - 9. Legal
 - 10. Marketing
 - V. Multinational Transfer Pricing
 - 1. Objectives
 - a. Employee Motivation
 - b. Strategic Congruence
 - c. Consistency in Performance Evaluation
 - d. Minimization of Taxes
 - e. Minimization of Foreign Exchange Risks
 - f. Internal Revenue Service Transfer Pricing Policies
- XIII. Performance Evaluation (3 hours)
 - A. Purpose
 - 1. Evaluation Organizational Performance
 - 2. Matching Organization Strategic Goals (Budgets) with Managerial Performance
 - 3. Empowering Management Development
 - 4. Organizational Communications
 - 5. Employee Motivation
 - 6. Promotion Judgments
 - 7. Organizational Control
 - B. Selecting Performance Measures
 - 1. Congruence with Strategic Goals
 - 2. Congruence with Budgetary Criteria
 - C. Multiple Performance Measures – The Balance Scorecard
 - 1. Financial Perspective
 - 2. Customer Perspective
 - 3. Internal Business Perspective

4. Innovation and Employee Learning Perspective
- D. Evaluation Bases
 1. Variance
 2. Statement of Cash Flow – Operating Cash Flows
 3. Return on Investment (ROI)
 - a. Segment or Operating Income
 - b. Before or After Taxes
 - c. Total Assets or Net Assets
 - d. Original Asset Cost-Book Value – Current Value
 - e. Ending, Beginning or Average Assets
 4. DuPont Model – ROI Components
 - a. Asset Turnover
 - b. Profit Margin
 - c. Managerial ROI Decision
 5. Residual Income
 6. Economic Value Added
- E. ROI vs. Residual Income – Advantages and Disadvantages
- F. Long-Term Performance
 1. Non-financial Measures – Cost Drivers
 - a. Quality
 - b. Customer Service
 - c. Production Efficiency
 - d. Employee Motivation
 - e. Innovation
 - f. Engineering Design Time
 2. Throughput Measures
 - a. Manufacturing Cycle Efficiency
 - b. Process Productivity
 - c. Process Quality Yield

XIV. Semester Examinations (3 hours)

IV. Evaluation Methods

The final grade for the course will be determined as follows

- 70% Examinations.** Three hours of semester examinations and a two-hour final exam will contain questions predominantly consisting of multiple choice, short essay and short quantitative problems
- 15% Individual project.** This project could focus on research on current cost accounting trends, case study presentations or computer-based assignments designed for spreadsheet applications..
- 10% Homework and quizzes.** Five short random quizzes, which could take the form of collected homework assignments, will be conducted during the semester.
- 5% Class participation.** Student willingness to respond to solving problem assignments and other issues discussed in class will be documented throughout the semester.

V. Example Grading Scale.

A	=	90 –100
B	=	80—89
C	=	70—79
D	=	60—69
F	=	Less than 60

VI. Undergraduate Course Attendance Policy

“The university expects all students to attend class.” Your attendance and participation in classroom activities is an important component in the overall learning environment and is therefore strongly encouraged. Although attendance is not mandatory, failure to attend classes will impair your level of performance on the chapter tests, exams, and your ability to complete the homework assignments and in-class exercises.

VII. Required textbooks, supplemental books and readings

Jesse T. Barfield, Cecily A. Railborn and Michael R. Kinney. *Cost Accounting: Traditions and Innovations*. 5th edition. Southwestern Publishing. Cincinnati, Ohio. 2003

VIII. Special Resource Requirements

None

IX. Bibliography

**Indiana University of Pennsylvania
On-line Syllabus of Record
ACCT311 Cost Accounting**

3c-01-3sh

Instructor: Ronald Woan, Associate Professor
Office: 418F Eberly College of Business & Information Technology
Phone: 724-357-7565 (Office)
E-Mail: ronwoan@iup.edu
Office Hours: On-line office hours are between 10 am and 12pm from Monday to Saturday (EST).
Student emails will be replied to within 24 hours of receipt.
Class section: On-line
Credits: 3
Prerequisite: Grade of C or higher in ACCT 202
Required Text: "Fundamentals of Cost Accounting" by Lanen, Anderson and Maher, Third
Edition, McGraw-Hill/Irwin 2011 (including McGraw-Hill *Connect Accounting* access code)

CATALOG DESCRIPTION

Studies the aggregation and use of financial information for internal management decision-making. Discussion will concentrate on cost management system designs, cost estimation methods for budget preparation and achievement, cost accumulation methods for manufacturing and service organizations, inventory control procedures, and transfer pricing administration and managerial performance evaluation techniques.

COURSE CONTENT

- Chapter 1. Cost Accounting: Information for Decision Making
- Chapter 2. Cost Concepts and Behavior
- Chapter 3. Fundamentals of Cost-Volume-Profit Analysis
- Chapter 4. Fundamentals of Cost Analysis for Decision Making
- Chapter 5. Cost Estimation
- Chapter 6. Fundamentals of Product and Service Costing
- Chapter 7. Job Costing
- Chapter 8. Process Costing
- Chapter 9. Activity-Based Costing
- Chapter 10. Fundamentals of Cost Management
- Chapter 11. Service Departments and Joint Cost Allocation
- Chapter 12. Fundamentals of Management Control Systems
- Chapter 13. Planning and Budgeting
- Chapter 14. Business Unit Performance Management
- Chapter 15. Transfer Pricing
- Chapter 16. Fundamental of Variance Analysis
- Chapter 18. Nonfinancial and Multiple Measures of Performance

Objectives

1. To review traditional techniques to account and control for material, labor, and overhead costs associated with manufactures.
2. To review traditional techniques to account and control for labor and overhead costs associated with service organizations.
3. To introduce new cost accounting concepts such as accounting for quality costs, manufacturing cycle time, target and kaizen costing, and cost drivers associated with activity-based cost allocation procedures.
4. To apply budget preparations to spreadsheet template formats

Assessment Procedures

Success in this course is contingent upon each student being fully prepared for item of assessment. These include homework, quizzes, exams and projects. Readiness is enhanced by reading the textbook and practicing the end-of-chapter questions. Students are allowed three attempts for each homework question, two attempts for each quiz and exam question. Only the highest score from multiple attempts (if allowed) counts towards the student's final grade.

During exams, students are not permitted to seek the assistance of another person. Students are to complete the exams alone. Suggestions of student collusion will be thoroughly investigated and penalties might be imposed.

Your final course grade will be computed based on the following 100 percent.

	Percentage
On-line homeworks	20%
Quizzes	20%
Exam I	20%
Exam II	20%
Final Exam	<u>20%</u>
Total	<u>100%</u>

To get an A, a student must earn 90% or higher of the total points, B, 80%-89%; C, 70%-79%, D, 60%-69. Below 60% is an F.

Homeworks

There are on-line homeworks and quizzes using McGraw-Hill's *Connect Accounting* to be completed on each chapter. The on-line homeworks are designed to enhance students' understanding of the accounting concepts through illustrative work-through problems; and quizzes are provided to enhance students' competency.

Office Hours

The instructor's office hours are on-line only. They are shown on the first page of this syllabus. Student emails will be replied to within 24 hours of receipt during the week and 48 hours of receipt during weekends.

Grades

Your assessment scores will be regularly updated on D2L/ *Connect Accounting*. You can use this information to determine your approximate cumulative grade.

Final Comments

Accounting is not a spectator subject; it demands engagement and hands-on in order to assure learning to take place. The subject materials are cumulative, i.e., to comprehend current chapter subject materials entails the understanding of the prior chapters' materials. To achieve reasonable competency, students must work on the subject materials in a continuous manner.

Bibliography

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- Vanderbeck, E.J. (2013) *Principles of Cost Accounting*, 16th Edition, Cengage Learning

ACCT311 via Distance Education**Class Schedule**

<u>Week</u>	Topic
1	Read Chapter 1. Complete the on-line homework and Quiz on Chapter 1
2	Read Chapters 2&5. Complete the on-line homework and Quiz on Chapters 2&5
3	Read chapter 3. Complete the on-line homework and Quiz on Chapter 3
3	Read chapter 4. Complete the on-line homework and Quiz on Chapter 4
4	Review: Chaps 1-5
5	EXAM-I: Chaps 1-5
6	Read Chapter 6. Complete the on-line homework for Chapter 6. Complete the Quiz on Chapter 6.
6	Read Chapter 7. Complete the on-line homework and the Quiz on Chapter 7
7	Read Chapter 8. Complete the on-line homework and the Quiz on Chapter 8
8	Read Chapter 9. Complete the on-line homework and the Quiz on Chapter 9
8	Read Chapter 10. Complete the on-line homework and the Quiz on Chapter 10
9	Read Chapter 11. Complete the on-line homework and the Quiz on Chapter 11
10	Review:: Chaps 6-11
10	EXAM-II: chaps 6-11
11	Read Chapter 12&13. Complete the on-line homework and the Quiz on Chapter 12&13
12	Read Chapter 14&15. Complete the on-line homework and the Quiz on Chapter 14&15
13	Read Chapter 16. Complete the on-line homework and the Quiz on Chapter 16
13	Read Chapter 18. Complete the on-line homework and the Quiz on Chapter 18
14	Review: Chaps 12-16, 18
15	Final Exam: Chaps 12-16, 18

Appendix C: Sample of Power Point slides

Chapter 1

Cost Accounting: Information for Decision Making

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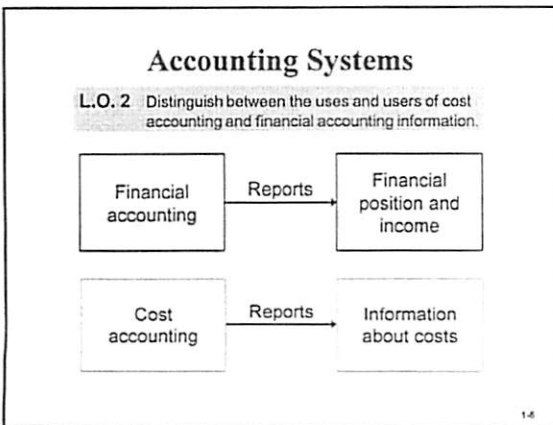
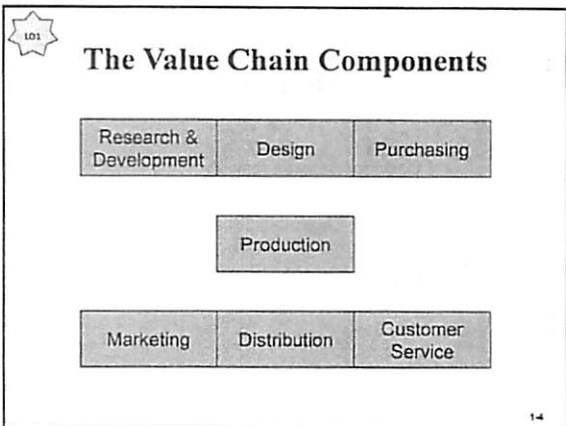
- ### Learning Objectives
- L.O. 1 Describe the way managers use accounting information to create value in organizations.
 - L.O. 2 Distinguish between the uses and users of cost accounting and financial accounting information.
 - L.O. 3 Explain how cost accounting information is used for decision making and performance evaluation in organizations.
 - L.O. 4 Identify current trends in cost accounting.
 - L.O. 5 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.
- 1-2

Value Chain

L.O. 1 Describe the way managers use accounting information to create value in organizations.

- The Value Chain describes a set of activities that transforms raw materials and resources into the goods and services end users purchase and consume.
 - Value added activities
 - Non value added activities

1-3



- ### Accounting Systems
- The primary purpose of financial accounting is to provide investors and creditors information regarding company and management performance.
 - The financial data prepared for this purpose are governed by generally accepted accounting principles (GAAP) in the United States and by international financial reporting (IFRS) in many other countries.
 - Cost data for managerial use need not comply with GAAP or IFRS.
- 1-8

LO2

Customers of Accounting

- Accountants must work with the users of cost accounting information to provide the best possible information for managerial purposes.
- Different uses of accounting information require different types of accounting information.

1-7

Managerial Decisions

L.O. 3 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

- Individuals make decisions.
- Decisions determine the performance of the organization.
- Managers use information from the accounting system to make decisions.
- Owners evaluate organizational and managerial performance with accounting information.

1-8

LO1

Cost Data for Managerial Decisions


- Costs for decision making
- Costs for control and evaluations
- Different data for different decisions

1-9

LO1

Costs for Decision Making

- Carmen's Cookies has been making and selling cookies through a small store downtown.
- One of her customers suggests that she expand operations and sell to wholesalers and retailers.
- Should Carmen expand operations?



1-10

LO1

Carmen's Cost Drivers

Cost	Driver
Rent	Number of stores
Insurance	
Labor	Number of cookies
Ingredients	

1-11

LO1

Differential Costs

- Costs that change in response to a particular course of action
- Differential costs change (differ) between actions.

1-12

LO1 Differential Revenues

- Revenues that change in response to a particular course of action.
- Differential revenues change (differ) between actions.

1-13

LO1 Differential Costs, Revenues, and Profits

Carmen's Cookies
Projected Income Statement for One Week

	(1) Status Quo Original Shop Sales Only	(2) Alternative Wholesale & Retail Distribution	(3) Difference
Sales revenue	\$6,300	\$8,505 ^a	\$2,205
Costs:			
Food	1,800	2,700 ^b	900
Labor	1,000	1,500 ^b	500
Utilities	400	600 ^b	200
Rent	1,250	1,250	-0-
Other	1,000	1,200 ^c	200
Total costs	\$5,450	\$7,250	\$1,800
Operating profits	\$ 850	\$1,255	\$ 405

(a) 35 percent higher than status quo
(b) 50 percent higher than status quo
(c) 20 percent higher than status quo

1-14

LO1 Costs for Control and Evaluation

- A responsibility center is a specific unit of an organization assigned to a manager who is held accountable for its operations and resources.

1-15

LO1 Responsibility Centers, Revenues, and Costs

```

    graph TD
      A[Carmen Diaz  
President] --> B[Ray Adams  
Vice-President  
Retail Operations]
      A --> C[Cathy Peterson  
Vice-President  
Wholesale Operations]
  
```

1-16

LO1 Responsibility Centers, Revenues, and Costs

Carmen's Cookies
Income Statement
For the Month Ending April 30

	Retail Operations	Wholesale Operations	Total
Sales revenue	\$26,400	\$23,500	\$52,000
Department costs:			
Food	13,500	9,800	23,300
Labor ^a	4,500	3,200	7,700
Utilities	1,800	2,100	3,900
Rent	5,000	2,500	7,500
Total department costs	\$24,800	\$17,600	\$42,400
Center margin ^b	\$ 3,600	\$ 6,000	\$ 9,600
General and admin. costs:			
General manager's salary ^c			5,000
Other (administrative)			3,200
Total general and admin. costs			\$ 8,200
Operating profit			\$ 1,400

(a) Includes department managers' salaries but excludes Carmen's salary
(b) The difference between revenues and costs attributable to a responsibility center
(c) Carmen's salary

1-17

LO1 Responsibility Centers, Revenues, and Costs

Carmen's Cookies
Retail Responsibility Center
Budgeted versus Actual Costs
For the Month Ending April 30

	Actual	Budget	Difference
Food:			
Flour	\$ 2,100	\$ 2,200	\$ (100)
Eggs	5,200	4,700	500
Chocolate	2,000	1,900	100
Nuts	2,000	1,900	100
Other	2,200	2,200	-0-
Total food	\$13,500	\$12,900	\$ 600
Labor:			
Manager	3,000	3,000	-0-
Other	1,500	1,500	-0-
Total labor	\$ 4,500	\$ 4,500	\$ -0-
Utilities	1,800	1,800	-0-
Rent	5,000	5,000	-0-
Total cookie costs	\$24,800	\$24,200	\$ 600
Number of cookies sold	32,000	32,000	-0-

1-18

Trends in Cost Accounting

L.O. 4 Identify current trends in cost accounting.

1. Research and development
2. Design
3. Purchasing
4. Production
5. Marketing
6. Distribution
7. Customer service
8. ERP – Enterprise resource planning
9. Creating value in the organization

1-39

Cost Accounting in Research and Development

- Lean manufacturing techniques are not simply about production.
- Companies partner with suppliers in the development stage to ensure cost-effective designs for products.

1-40

Cost Accounting in Design

- Product designers must write detailed specifications on a product's design.
- This is often referred to as design for manufacturing (DFM).
- ABC assigns costs of activities needed to make a product, then sums the cost of those activities to compute the total cost of the product.

1-41

Cost Accounting in Purchasing

- Performance measurement indicates how well a process is working.
- It minimizes unnecessary transaction processes.
- Benchmarking methods measure products, services, and activities against the best performance.
- Benchmarking is an ongoing process resulting in continuous improvement.

1-42

Cost Accounting in Production

- A lean accounting system provides measures at a work cell or process level.
- JIT is an inventory system designed to lower the cost of maintaining excess inventory.

1-43

Cost Accounting in Marketing


- Cost relationship management (CRM) is a system that allows firms to target profitable customers by assessing customer revenues and costs.
- Harrah's Entertainment provides "complimentary" services to some customers. (typically called comping).

1-44

LO4

Cost Accounting in Distribution

- Outsourcing occurs when a firm's activities are performed by another organization or individual in the supply or distribution chain.
- Nikon, for example, relies on UPS for distribution.



1-25

LO4

Cost Accounting in Customer Service


- TQM is a management method which focuses on excelling in all dimensions.
- The emphasis is placed on quality. Quality is defined by the customer.
- Cost of quality is a system that identifies the cost of producing low quality items.

1-26

LO4

Enterprise Resource Planning

- Information technology linking various processes of the enterprise into a single comprehensive information system



1-27

LO4

Key Financial Players in an Organization


Title	Major Responsibilities	Example Activities
Chief financial officer (CFO)	Manages entire finance and accounting function	Signs off on financial statements
Treasurer	Manages liquid assets	Determines where to invest cash balances
Controller	Plans and designs information systems	Determines cost accounting policies
Internal auditor	Ensures compliance with laws	Ensures that procurement rules are followed
Cost accountant	Records, measures, and, analyzes costs	Evaluates costs of products and processes

1-28

Ethical Issues for Accountants

L.O. 5 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.


- The design of the cost accounting system has the potential to be misused to defraud customers, employees, or shareholders.



1-29

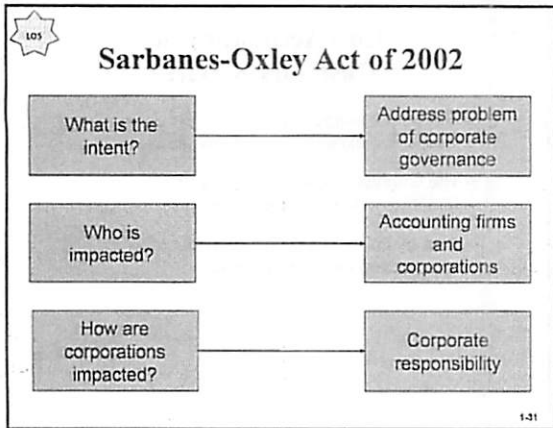
LO5

Ethics



- Follow the Institute of Management Accountants (IMA) guidelines:
- Discuss problems with the immediate superior, unless the superior is involved.
- Clarify the relevant issues and concepts by discussion with a disinterested party or contact the appropriate confidential ethics "hotline."
- Consult an attorney about your rights and obligations.

1-30



105

Corporate Responsibility

Who is impacted?

- CEO – Chief Executive Officer
 - Manages entire corporation
- CFO – Chief Financial Officer
 - Manages accounting and finance

What is the impact?

- The officers of the corporation must sign the financial reports stipulating that the financial statements do not omit material information.
- The company must disclose the evaluation of their internal controls.

1-32

Appendix 1

Institute of Management Accountants' (IMA)
Code of Ethics: Standards

1. Competence
2. Confidentiality
3. Integrity
4. Credibility

1-33

Competence

Members have a responsibility to:

1. Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
2. Perform professional duties in accordance with relevant laws, regulations, and technical standards.
3. Provide decision support information and recommendations that are accurate, clear, concise, and timely.
4. Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of activity.

1-34

Confidentiality

Members have a responsibility to:

1. Keep information confidential except when disclosure is authorized or legally required.
2. Inform all relevant parties regarding appropriate use of confidential information.
3. Refrain from using confidential information for unethical or illegal advantage.
4. Monitor subordinates' activities to ensure compliance.

1-35

Integrity

Members have a responsibility to:

1. Mitigate actual conflicts of interest, regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
2. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
3. Abstain from engaging in or supporting any activity that might discredit the profession.

1-36

Credibility

Members have a responsibility to:

- 1. Communicate information fairly and objectively.**
- 2. Disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.**
- 3. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.**

1-67

End of Chapter 1

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Appendix D: Sample of On-line Homework Software

Please note that the on-line homework sample is not linked to the ACCT 401 textbook as this is the only sample the instructor has access to at present. However, as the course is scheduled, the instructor will be provided with the on-line homework platform by the publishing company.

1.

event
10.00
points

Pine Ridge Cabinets (PRC) produces cabinets for new home builders. You have been called in to settle a dispute between PRC and Eastern Homes, a builder of custom homes.

Eastern Homes buys 10,000 units of a particular cabinet from PRC every year. It insists that PRC keep a one-month inventory to accommodate fluctuations in Eastern's demand. PRC does not want to keep any inventory and says that Eastern Homes should buy components in advance and store them.

You determine that the inventory storage costs per unit are \$100 at PRC and \$200 at Eastern Homes.

Required:

How do you suggest the two companies settle their dispute?

- ☐ Pine Ridge Cabinets (PRC) should carry the inventory, but Eastern Homes should cover all the inventory carrying costs.
- ☐ To minimize costs in the supply chain, Pine Ridge Cabinets (PRC) should carry the inventory and the two firms could share the inventory savings through price discounts or other contractual agreements.
- ☐ There is no need for Pine Ridge Cabinets (PRC) to carry the inventory. Eastern Homes should buy in advance.

It is important that costs are minimized in the supply chain. Because it is cheaper for Pine Ridge Cabinets to carry the inventory, the resolution should result in Pine Ridge Cabinets carrying the inventory. You might suggest that the two firms share the inventory savings through price discounts or other contractual agreements.

Multiple Choice

Difficulty: Easy

Learning Objective: 01-01 Describe the way managers use accounting information to create value in organizations.

2.

event
10.00
points

Beige Computers operates retail stores in both downtown (City) and suburban (Mall) locations. The company has two responsibility centers: the City Division, which contains stores in downtown locations, and the Mall Division, which contains stores in suburban locations. Beige's CEO is concerned about the profitability of the City Division, which has been operating at a loss for the last several years. The most recent income statement follows. The CEO has asked for your advice on shutting down the City Division's operations. If the City Division is eliminated, corporate administration is not expected to change, nor are any other changes expected in the operations or costs of the Mall Division.

BEIGE COMPUTERS, CITY DIVISION
Divisional Income Statement
For the Year Ending January 31

Sales revenue	\$12,900,000
Costs	
Advertising—City Division	525,000
Cost of goods sold	6,450,000
Divisional administrative salaries	870,000
Selling costs (sales commissions)	1,730,000
Rent	2,215,000
Share of corporate administration	1,425,000
Total costs	\$13,215,000
Net loss before income tax benefit	\$ (315,000)
Tax benefit at 40% rate	126,200
Net loss	\$ (188,000)

Required:

What revenues and costs are probably differential for the decision to discontinue City division's operations? (Input all values as positive number. Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" sign in your response.)

BEIGE COMPUTERS, CITY DIVISION
Divisional Income Statement
Differential Revenues and Costs
For the Year Ending January 31

Sales revenue	\$ 12,900,000		Differential
Costs			

Advertising—City Division	525,000	Differential
Cost of goods sold	6,450,000	Differential
Divisional administrative salaries	870,000	Differential
Selling costs (sales commissions)	1,730,000	Differential
Rent	2,215,000	Differential
Share of corporate administration	0	Not Differential
Total costs	\$ 11,790,000	
Net differential gain before income tax expense	\$ 1,110,000	
Tax expense at 40% rate	444,000	Differential
Net differential gain from store	\$ 666,000	

Explanation:

Considering the following costs as differential shows that closing the City Division will lower profits for the chain.

Sales revenue, Cost of goods sold, Selling costs:

These revenues and costs are differential if the sales (and the associated cost of sales) will be lost to the chain. If customers go to other stores in the chain when the City Division is closed, these revenues and costs will not be differential.

Advertising costs:

If some of the advertising is "brand" advertising that benefits all stores, some of the advertising costs may not be differential.

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

3.

award:
10.00
points

Pete's Taxi & Limo provides transportation services in and around Centerville. Its profits have been declining, and management is planning to add a package delivery service that is expected to increase revenue by \$400,000 per year. The total cost to lease the necessary package delivery vehicles from the local dealer is \$30,000 per year. The present manager will continue to supervise all services at no increase in salary. Due to expansion, however, the labor costs and utilities would increase by 50 percent. Rent and other costs will increase by 20 percent.

PETE'S TAXI & LIMO	
Annual Income Statement before Expansion	
Sales revenue	\$1,216,000
Costs	
Vehicle leases	480,000
Labor	384,000
Utilities	84,000
Rent	128,000
Other costs	84,000
Manager's salary	192,000
Total costs	\$1,312,000
Operating profit (loss)	\$ (96,000)

Required:

(a) Prepare a report of the differential costs and revenues if the delivery service is added. (Input all amounts as positive values. Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" sign in your response.)

PETE'S TAXI & LIMO Service			
Income Statement			
	Status Quo: No Delivery Service	Alternative: With Delivery Service	Difference
Sales revenue	\$1,216,000	\$ 1,616,000	\$ 400,000
Costs			
Vehicle leases	480,000	510,000	30,000
Labor	384,000	576,000	192,000

Utilities	64,000	86,000	32,000
Rent	128,000	153,600	25,600
Other costs	64,000	76,800	12,800
Manager's salary	192,000	192,000	0
Total costs	\$1,312,000	\$ 1,604,400	\$ 292,400
Operating profit (loss)	\$ (66,000)	\$ 11,600	\$ 107,600

(b) Should management start the delivery service?

Yes

Explanation:

(a)	Difference
Labor	\$192,000 = 50% × \$384,000
Utilities	\$32,000 = 50% × \$64,000
Rent	\$25,600 = 20% × \$128,000
Other costs	\$12,800 = 20% × \$64,000

(b) The decision to expand and offer the delivery service results in differential profits of \$107,600, so it is profitable to expand. Note that only differential costs and revenues figured in the decision. The manager's salary did not change, so it did not affect the decision.

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

4.

worth 10.00 points

Assume that Carmen's Cookies is preparing a budget for the month ending September 30. Management prepares the budget by starting with the actual results for April that is shown below. Then, management considers what the differences in costs will be between April and September.

CARMEN'S COOKIES
Retail Responsibility Center
Actual Costs For the
Month Ending April 30

	Actual (April)
Food	
Flour	\$ 2,100
Eggs	5,200
Chocolate	2,000
Nuts	2,000
Other	2,200
Total food	\$13,500
Labor	
Manager	\$ 3,000
Other	1,500
Total labor	\$ 4,500
Utilities	1,600
Rent	5,000
Total cookie costs	\$24,600
Number of cookies sold	32,000

Management expects cookie sales to be 20 percent greater in September than in April, and it expects all food costs (e.g., flour, eggs) to be 20 percent higher in September than in April because of the increase in cookie sales. Management expects "other" labor costs to be 25 percent higher in September than in April, partly because more labor will be required in September and partly because employees will get a pay raise. The manager will get a pay raise that will increase the salary from \$3,000 in April to \$3,500 in September. Utilities will be 5 percent higher in September than in April. Rent will be the same in September as in April.

Now, fast forward to early October and assume the following actual results occurred in September:

Number of cookies sold	38,400
Flour	\$ 2,700
Eggs	6,500
Chocolate	2,100
Nuts	2,300
Other	2,700
Manager's salary	3,500
Other labor	1,850
Utilities	2,200
Rent	5,000

Required:

Prepare a statement that compares the budgeted and actual costs. (Negative amounts and differences should be indicated by a minus sign. Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" sign in your response.)

CARMEN'S COOKIES
Retail Responsibility Center
Budgeted versus Actual Costs
For the Month Ending September 30

	Actual (September)	Budget (September)	Difference
Food			
Flour	\$ 2,700	2,520	180
Eggs	6,500	6,240	260
Chocolate	2,100	2,400	-300
Nuts	2,300	2,400	-100
Other	2,700	2,640	60
Total food	\$ 16,300	\$ 16,200	\$ 100
Labor			
Manager	\$ 3,500	3,500	0
Other	1,850	1,875	-25
Total labor	\$ 5,350	\$ 5,375	\$ -25
Utilities	2,200	1,890	310
Rent	5,000	5,000	0
Total cookie costs	\$ 28,850	\$ 28,465	\$ 385
Number of cookies sold	38,400	38,400	0

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

5. award: 10.00 points

Quince Products is a small company in Southern California that makes jams and preserves. Recently, a sales rep from one of the company's suppliers suggested that Quince could increase its profitability by 50 percent if it introduced a second line of products, packaged fruit. She offered to do the analysis and show the company her assumptions.

When Quince's management opened the spreadsheet sent by the sales rep, they noticed that there were several blank cells. In the meantime, the sales rep had taken a job with a competitor and told the managers at Quince that she could no longer advise them. Although they were not sure they should rely on the analysis, they asked you to see if you could reconstruct the sales rep's analysis. They had been considering this new business already and wanted to see if their analysis was close to that of an outside observer.

Required:

Fill in the blank cells. (Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" & "%" signs in your response.)

QUINCE PRODUCTS				
Projected Income Statement				
For One Month				
	Status Quo: Single Product	% Increase (Decrease)	Alternative Two Products	Difference
Sales	\$ 10,000	30%	\$ 13,000	\$ 3,000
Costs				
Material	2,000	40%	2,800	800
Labor	2,500	20%	3,000	500
Rent	1,800	0%	1,800	0

Depreciation	400	25%	500	100
Utilities	200	25%	250	50
Other	700	50%	1,050	350
Total costs	\$ 7,600		\$ 9,400	\$ 1,800
Operating profit	\$ 2,400	50%	\$ 3,600	\$ 1,200

Explanation:

Operating profit (% Increase / Decrease) = from statement that profit would increase by 50%
 Operating profit (Alternative: Two Products) = \$2,400 × 1.50
 Operating profit (Difference) = \$3,600 – \$2,400
 Sales (Status Quo: Single Product) = \$13,000 / 1.30
 Sales (Difference) = 13,000 – 10,000
 Total Costs (Alternative: Two Products) = \$13,000 – 3,600
 Total Costs (Difference) = \$7,600 – \$9,400
 Utilities (Alternative: Two Products) = \$200 × 1.25
 Utilities (Difference) = \$250 – 200
 Other (% Increase / Decrease) = \$350 ÷ 700
 Labor plus rent with a single product is \$ 4,300 (= \$ 7,600 – \$ 2,000 – \$400 – \$200 – \$700)
 Labor plus rent with two product is \$ 4,800 (= \$ 9,400 – \$ 2,600 – \$ 500 – \$ 250 – \$1,050)
 The increase of \$ 500 (= \$ 4,800 – 4,300) in the labor plus rent is all due to the 20% increase in labor because there is no change in rent). Therefore, Labor with a single product must be \$ 2,500 (= \$ 5,00 + 20%)
 Rent with a single product (and with two products) is \$ 1,800 (\$ 4,300 – \$2,500, or \$4,800 – \$3,000)

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

6. **10.00 points**

State University Business School (SUBS) offers several degrees, including Bachelor of Business Administration (BBA). The new dean believes in using cost accounting information to make decisions and is reviewing a staff-developed income statement broken down by the degree offered. The dean is considering closing down the BBA program because the analysis, which follows, shows a loss. Tuition increases are not possible. The dean has asked for your advice. If the BBA degree program is dropped, school administration costs are not expected to change, but direct costs of the program, such as operating costs, building maintenance, and classroom costs, would be saved. There will be no other changes in the operations or costs of other programs.

STATE UNIVERSITY BUSINESS SCHOOL, BBA DEGREE

Degree Income Statement

For the Academic Year Ending June 30

Revenue	\$ 395,000
Costs	
Advertising—BBA program	25,000
Faculty salaries	205,000
Degree operating costs (part-time staff)	28,000
Building maintenance	32,000
Classroom costs (building depreciation)	75,000
Allocated school administration costs	35,000
Total costs	\$ 400,000
Net loss	\$ (5,000)

Requirement 1:

What revenues and costs are probably differential for the decision to drop the BBA program?

STATE UNIVERSITY BUSINESS SCHOOL, BBA DEGREE

Degree Income Statement

Differential Revenues and Costs

For the Academic Year Ending June 30

Revenue	\$ 395,000	Differential
Costs		
Advertising—BBA program	25,000	Differential
Faculty salaries	205,000	Differential
Degree operating costs	28,000	Differential
Building maintenance	32,000	Differential
Classroom costs	75,000	Differential

Allocated school administration costs	0	Not differential
Total costs	\$ 385,000	
Net differential gain from store	\$ 30,000	

Requirement 2:

What will be the net effect on the SUBS contribution (profit) if the BBA program is dropped? (Omit the "\$" sign in your response.)

Net income will be lower by \$ 30,000

Explanation:

STATE UNIVERSITY BUSINESS SCHOOL, BBA DEGREE
Degree Income Statement
Differential Revenues and Costs
For the Academic Year Ending June 30

Revenue	\$385,000	Differential ^a
Costs		
Advertising—BBA program	25,000	Differential ^b
Faculty salaries	205,000	Differential ^a
Degree operating costs (part-time staff)	28,000	Differential ^a
Building maintenance	32,000	Differential ^a
Classroom costs (building depreciation)	75,000	Differential ^a
Allocated school administration costs	0	Not differential
Total costs	\$385,000	
Net differential gain from BBA program	\$ 30,000	

^a These revenues and costs are differential to the school, but might not be to the university if students will transfer to other programs and if the faculty and buildings will continue to be maintained by the university.

^b If some of the advertising is "brand" advertising that benefits all programs, some of the advertising costs may not be differential.

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

7.

award:
10.00
points

Valley Lawn & Tree, Inc., provides landscaping services in Eastmont. Renee Moffo, the owner, is concerned about the recent losses the company has incurred and is considering dropping its lawn services, which she feels are marginal to the company's business. She estimates that doing so will result in lost revenues of \$57,500 per year (including the lost tree business from customers who use the company for both services). The present manager will continue to supervise the tree services with no reduction in salary. Without the lawn business, Renee estimates that the company will save 10 percent of the equipment leases, labor, and other costs. She also expects to save 12 percent on rent and utilities.

VALLEY LAWN & TREE, INC.
Annual Income Statement
(Before Dropping Lawn Services)

Sales revenue	\$ 380,000
Costs	
Equipment leases	\$ 210,000
Labor	50,000
Utilities	17,800
Rent	34,500
Other costs	20,000
Manager's salary	70,000
Total costs	\$ 402,300
Operating profit (loss)	\$ (42,300)

Required :

(a) Prepare a report of the differential costs and revenues if the lawn service is discontinued. (Leave no

cells blank - be certain to enter "0" wherever required. Negative amounts and differences should be indicated by a minus sign. Omit the "\$" sign in your response.)

VALLEY LAWN & TREE, INC.			
Income Statement			
	Status Quo: With Lawn Service	Alternative: Without Lawn Service	Difference
Sales revenue	\$ 380,000	\$ 302,500	\$ -57,500
Costs			
Equipment leases	210,000	189,000	-21,000
Labor	50,000	45,000	-5,000
Utilities	17,800	15,664	-2,136
Rent	34,500	30,360	-4,140
Other costs	20,000	18,000	-2,000
Manager's salary	70,000	70,000	0
Total costs	\$ 402,300	\$ 388,024	\$ -34,276
Operating profit (loss)	\$ -42,300	\$ -65,524	\$ -23,224

(b) Should Renee discontinue the lawn service?

No

Explanation:

(a)

VALLEY LAWN & TREE, INC.			
Income Statement			
	Status Quo: With Lawn Service	Alternative: Without Lawn Service	Difference
Sales revenue	\$ 380,000	\$ 302,500	\$ (57,500) (given)
Costs			
Equipment leases	210,000	189,000	(21,000) (= 10% x \$210,000)
Labor	50,000	45,000	(5,000) (= 10% x \$50,000)
Utilities	17,800	15,664	(2,136) (= 12% x \$17,800)
Rent	34,500	30,360	(4,140) (= 12% x \$34,500)
Other costs	20,000	18,000	(2,000) (= 10% x \$20,000)
Manager's salary	70,000	70,000	0
Total costs	\$ 402,300	\$ 388,024	\$ (34,276)
Operating profit (loss)	\$ (42,300)	\$ (65,524)	\$ (23,224)

(b)

The decision to drop the lawn service results in a differential loss of \$23,224, so it is not profitable to drop that service. Note that only differential costs and revenues figured in the decision. The manager's salary did not change, so it did not affect the decision.

Worksheet

Difficulty: Medium

Learning Objective: 01-03 Our Framework for Assessing Cost Accounting Systems

8.

event:
10.00
points

Assume that Carmer's Cookies is preparing a budget for the month ending September 30. Management prepares the budget by starting with the actual results for April that are shown below. Then, management considers what the differences in costs will be between April and September.

CARMEN'S COOKIES	
Retail Responsibility Center	
Actual Costs For the Month Ending April 30	
	Actual (April)
Food	
Flour	\$ 2,200
Eggs	5,100

Chocolate	1,500
Nuts	2,250
Other	2,200
Total food	\$13,250
Labor	
Manager	\$ 3,400
Other	1,700
Total labor	\$ 5,100
Utilities	1,900
Rent	5,000
Total cookie costs	\$25,250
Number of cookies sold	31,000

Management expects cookie sales to be 5 percent greater in September than in April, and it expects all food costs (e.g., flour, eggs) to be 5 percent higher in September than in April because of the increase in cookie sales. Management expects "other" labor costs to be 10 percent higher in September than in April, partly because more labor will be required in September and partly because employees will get a pay raise. The manager will get a pay raise that will increase the salary from \$3,400 in April to \$3,800 in September. Utilities will be 10 percent higher in September than in April. Rent will be the same in September as in April.

Now, fast forward to early October and assume the following actual results occurred in September:

Number of cookies sold	32,550
Flour	\$ 3,000
Eggs	6,000
Chocolate	2,500
Nuts	2,000
Other	2,700
Manager's salary	3,800
Other labor	2,000
Utilities	2,600
Rent	5,000

Required:

Prepare a statement that compares the budgeted and actual costs. (Round your answers to the nearest dollar amount. Negative amounts and differences should be indicated by a minus sign. Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" sign in your response.)

CARMENS COOKIES
Retail Responsibility Center
Budgeted versus Actual Costs
For the Month Ending September 30

	Actual (September)	Budget (September)	Difference
Food			
Flour	\$ 3,000	\$ 2,310	\$ 690
Eggs	6,000	5,355	645
Chocolate	2,500	1,575	925
Nuts	2,000	2,363	-363
Other	2,700	2,310	390
Total food	\$ 16,200	\$ 13,913	\$ 2,287
Labor			
Manager	\$ 3,800	\$ 3,900	\$ 0
Other	2,000	1,870	130
Total labor	\$ 5,800	\$ 5,770	\$ 130
Utilities	2,600	2,090	510
Rent	5,000	5,000	0
Total cookie costs	\$ 29,700	\$ 26,773	\$ 2,927
Number of cookies sold	32,550	32,550	0

Appendix E: Example of an on-line quiz

1. award: 10.00 points

According to the Institute of Management Accountants (IMA), the first step in resolving an ethical dilemma is to

- resign from the organization.
- call the IMA's ethics hotline.
- report the circumstances to a local newspaper.
- consult with an objective, independent advisor.
- discuss the situation with an immediate supervisor.

It is best to deal with the immediate problem before bringing in outsiders

Topic: IMA Code of Ethics

Multiple Choice

Difficulty: Medium

Learning Objective: 01-05 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.

2. award: 10.00 points

The value chain comprises activities from research and development through the production process, but does not include activities related to the distribution of products or services.

- True
- False

distribution is included in the value chain

Topic: Value Chain

True / False

Difficulty: Easy

Learning Objective: 01-01 Describe the way managers use accounting information to create value in organizations.

3. award: 10.00 points

A cost driver is a variable that causes costs.

- True
- False

this is the definition of the term

Topic: Costs for Decision Making

True / False

Difficulty: Easy

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

4. award: 10.00 points

A responsibility center can be a department, division, or segment, but not a subsidiary of the parent company.

- True
- False

a responsibility center can be any of these

Topic: Costs for Control and Evaluation

True / False

Difficulty: Medium

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.

5. award: 10.00 points

The process of creating a formal plan and translating goals into a quantitative format is (CMA adapted)

- budgeting.
- benchmarking.
- cost-benefit analysis.
- value-added analysis.
- activity-based costing.

this is the definition of budgeting

Topic: Costs for Control and Evaluation

Multiple Choice

Difficulty: Easy

Learning Objective: 01-02 Distinguish between the uses and users of cost accounting and financial accounting information.

6.

event:
10.00
points

Which field of accounting emphasizes relevancy over comparability?

- Cost accounting.
- Financial accounting.
- Responsibility accounting.
- International accounting.

this is a fundamental concept of cost accounting

Topic: Cost Accounting, GAAP, and IFRS

Multiple Choice

Difficulty: Easy

Learning Objective: 01-02 Distinguish between the uses and users of cost accounting and financial accounting information.

7.

event:
10.00
points

The just-in-time (JIT) methods of production focuses on

- increasing sales revenue.
- reducing inventories.
- increasing customer service.
- reducing operating expenses.
- increasing product quality.

the focus is on reducing inventories, the other items are all results or outcomes

Topic: Cost Accounting in Production

Multiple Choice

Difficulty: Easy

Learning Objective: 01-04 Identify current trends in cost accounting.

8.

event:
10.00
points

According to the Institute of Management Accountants (IMA), the final step in resolving an ethical dilemma is to

- resign from the organization.
- call the IMA's ethics hotline.
- report the circumstances to a local newspaper.
- consult with an objective, independent advisor.
- discuss the situation with an immediate supervisor.

resigning is a last step, the other four attempt to resolve the dilemma

Topic: IMA Code of Ethics

Multiple Choice

Difficulty: Medium

Learning Objective: 01-05 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.

9.

event:
10.00
points

According to the Institute of Management Accountants (IMA), the first step in resolving an ethical dilemma is to

- resign from the organization.

- call the IMA's ethics hotline.
- report the circumstances to a local newspaper.
- consult with an objective, independent advisor.
- discuss the situation with an immediate supervisor.

It is best to deal with the immediate problem before bringing in outsiders

Topic: IMA Code of Ethics

Multiple Choice

Difficulty: Medium

Learning Objective: 01-05 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.

10. award: 10.00 points

Which of the following is not one of the overarching ethical principles of the Institute of Management Accountants (IMA) Code of Ethics?

- Competence
- Responsibility
- Honesty
- Objectivity
- Fairness

based on the Code of Ethics

Topic: IMA Code of Ethics

Multiple Choice

Difficulty: Medium

Learning Objective: 01-05 Understand ethical issues faced by accountants and ways to deal with ethical problems that you face in your career.

11. award: 10.00 points

The system that identifies the costs of producing low-quality items is called

- customer relationship management
- distribution chain
- total quality management
- cost of quality
- enterprise resource planning

this is a definition of cost of quality

Topic: Cost Accounting in Customer Service

Multiple Choice

Difficulty: Medium

Learning Objective: 01-04 Identify current trends in cost accounting.

12. award: 10.00 points

A management method by which the organization seeks to excel on all dimensions of quality is called

- customer relationship management
- distribution chain
- total quality management
- cost of quality
- enterprise resource planning

key words are "management method"; cost of quality is a measurement approach

Topic: Cost Accounting in Customer Service

Multiple Choice

Difficulty: Medium

Learning Objective: 01-04 Identify current trends in cost accounting.

13. award: 10.00 points

Costs that change in response to a particular course of action are

- differential costs
- cost-benefit analysis

- activity-based costs
- cost drivers

this is a definition of differential costs

Topic: Costs for Decision Making

Multiple Choice

Difficulty: Easy

Learning Objective: 01-03 Explain how cost accounting information is used for decision making and performance evaluation in organizations.