



A POLYTECHNIC INSTITUTION

School of Business

Program: Business Administration (Post-Diploma)

Option:

FMGT 2110**Managerial Accounting**

Start Date:	January, 2007	End Date:	May, 2007
Total Hours:	80	Total Weeks:	20
Hours/Week:	4	Lecture:	2
		Lab:	2
		Shop:	
		Seminar:	
		Other:	
Prerequisites		FMGT 2110 is a Prerequisite for:	
Course No.	Course Name	Course No.	Course Name
FMGT	Accounting 2	None	

■ Course Description

Covers the management accountant's role in decision making, planning, and control of company operations through budgeting, standard costing, and evaluation systems. Emphasis is on alternative methods for product costing, cost allocations, performance measurement, and decision-making models.

■ Detailed Course Description

This course introduces students to management accounting applications for general managers in both service and manufacturing firms. Students will study a variety of analytical techniques that can be applied to financial and operational data to support management decisions.

■ Evaluation

Quizzes	30%	Comments: See "Quiz Details" on page 6.
Mid-term Exam	30%	
Final Exam	40%	
TOTAL	100%	

■ Course Learning Outcomes/Competencies

Upon successful completion, the student will be able to:

1. Define management accounting in reference to the functions of management and the current business environment.
 - A. Describe the work of management and the need for managerial accounting information.
 - B. Describe the key differences between financial and managerial accounting.
 - C. Explain the lean business model and its corresponding management practices.
 - D. Describe the importance of ethical responsibility and explain the need for ethical codes of conduct.

■ **Course Learning Outcomes/Competencies (cont'd.)**

2. Define the key concepts that managers use to classify costs in business.
 - A. Define and give examples of variable and fixed costs.
 - B. Define and give examples of direct and indirect costs.
 - C. Define and give examples of cost classifications used in making decisions; differential costs; opportunity costs, and sunk costs.
 - D. Identify and give examples of each of the three basic manufacturing cost categories.
3. Explain how costs are accumulated or applied to cost objects in a job-order costing system.
 - A. Distinguish between product costs and period costs and give examples of each.
 - B. Prepare an income statement including calculation of cost of goods sold.
 - C. Prepare a schedule of cost of goods manufactured.
 - D. Distinguish between process costing and job order costing. Identify companies that use each of these methods.
 - E. Compute and apply predetermined overhead rates.
 - F. Prepare T-accounts to show the flow of costs in a job-order costing system and prepare schedules of cost of goods manufactured and cost of goods sold.
 - G. Compute under- or over-applied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
4. Explain how activity-based costing uses a number of allocation bases to assign overhead costs to cost objects.
 - A. Understand the basic approach in activity-based costing and how it differs from traditional costing.
 - B. Compute product costs using activity-based costing and compare them with costs under a traditional costing system.
 - C. Describe the use of activity-based costing in service settings.
 - D. Understand the benefits and limitations of activity-based costing systems.
 - E. Record the flow of costs in an activity-based costing system.
5. Discuss cost behavior patterns and how they relate to the income statement.
 - A. Understand how fixed and variable costs behave and how to use them to predict costs.
 - B. Analyze a mixed cost using the high-low, scattergraph, and least-squares regression methods.
 - C. Prepare and interpret an income statement using the contribution format.
6. Explain how cost-volume profit analysis helps managers understand the interrelationships among cost, volume, and profit.
 - A. Explain how changes in activity affect contribution margin and net operating income.
 - B. Use the contribution margin ratio to compute changes in contribution margin and net operating income resulting from changes in sales volume.
 - C. Prepare and interpret a cost-volume-profit graph.
 - D. Show the effects on contribution margin of changes in variable costs, fixed costs, selling price, and volume.
 - E. Compute the break-even point.
 - F. Determine the level of sales needed to achieve a desired target profit.
 - G. Compute the margin of safety and explain its significance.
 - H. Compute the degree of operating leverage at a particular level of sales and explain how the degree of operating leverage can be used to predict changes in net operating income.
 - I. Compute the break-even point for a multiple-product company and explain the effects of shifts in the sales mix on contribution margin and the break-even point.

■ **Course Learning Outcomes/Competencies (cont'd.)**

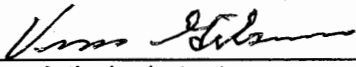
7. Explain the purpose and issues related to budgeting in business and how to prepare a Master Budget.
 - A. Understand why organizations budget.
 - B. Prepare a sales budget including a schedule of expected cash receipts, a production budget including a schedule of expected cash disbursements for purchases of materials, a direct labor budget, a manufacturing overhead budget, a selling and administrative expense budget, a cash budget, a budgeted income statement, and a budgeted balance sheet.
 - C. Understand the processes organizations use to create budgets and the practical issues raised.
 - D. Understand the Beyond Budgeting Model and its approaches to budgeting.
8. Explain the concept of management by exception and variance analysis and how to compute material, labor, and overhead variances.
 - A. Explain how direct materials and direct labor standards are set.
 - B. Compute and apply the direct materials price and quantity variances and explain their significance.
 - C. Compute and apply the direct labor rate and efficiency variances and explain their significance.
 - D. Compute the variable overhead spending and efficiency variances.
 - E. Prepare journal entries to record standard costs and variances.
9. Explain the concept of flexible budgets and how to compute and interpret overhead variances.
 - A. Prepare a flexible budget and explain the advantages of the flexible budget approach over the static budget approach.
 - B. Prepare a performance report for both variable and fixed overhead costs using the flexible budget approach and explain its advantages.
 - C. Use the flexible budget to prepare a variable overhead performance report containing only a spending variance.
 - D. Use the flexible budget to prepare a variable overhead performance report containing both a spending and an efficiency variance.
 - E. Compute the predetermined overhead rate and apply overhead to products in a standard cost system.
 - F. Compute and interpret the fixed overhead budget and volume variances.
10. Discuss performance measurement concepts in a decentralized organization and how to compute relevant performance measures.
 - A. Understand the role of costs, revenue, profit, and investment centers in a decentralized organization.
 - B. Compute and understand the return on investment measure.
 - C. Understand how changes in sales, expenses, and operating assets affect an organization's ROI.
 - D. Compute residual income and understand the strengths and weaknesses of this method of measuring performance.
 - E. Understand the balanced scorecard and its role in implementing an organization's strategies.
11. Explain how the concept of relevant costs apply in a variety of decision-making situations.
 - A. Distinguish between relevant and irrelevant costs in decisions.
 - B. Prepare an analysis showing whether to keep or replace old equipment, whether a product line or other organizational segment should be dropped or retained, a make-or-buy analysis, whether a special order should be accepted, and the most profitable use of a constrained resource.

■ **Course Learning Outcomes/Competencies (cont'd.)**

12. Discuss the different techniques management uses to evaluate significant outlays on long-term projects.
- A. Determine the acceptability of an investment project using the net present value method.
 - B. Prepare a net present value analysis of two competing investment projects using either the incremental-cost approach or the total-cost approach.
 - C. Rank investment projects in order of preference using the profitability index.
 - D. Compute the internal rate of return of a project and determine its acceptability using the internal rate of return method.
 - E. Compute the payback period of an investment.
 - F. Compute the simple rate of return of an investment.
 - G. Understand the impact of the tax deductibility of depreciation expense on the cash flows of a project.
 - H. Compute the capital cost allowance of depreciable assets used for a project and incorporate the computations into a net present value analysis of the project.
13. Discuss the use of trend data, comparisons with other organizations, and the analysis of fundamental financial ratios in the evaluation of a business.
- A. Prepare and interpret financial statements in comparative and common-size forms.
 - B. Compute and interpret the financial ratios used to measure the well-being of the common shareholder.
 - C. Compute and interpret the financial ratios used to measure the well-being of the short-term creditor.
 - D. Compute and interpret the financial ratios used to measure the well-being of the long-term creditor.

■ **Verification**

I verify that the content of this course outline is current.



Authoring Instructor

JAN 3/07

Date

I verify that this course outline has been reviewed.

Program Head/Chief Instructor

Date

I verify that this course outline complies with BCIT policy.



Dean/Associate Dean

Jan 3/07

Date

Note: Should changes be required to the content of this course outline, students will be given reasonable notice.

■ Instructor(s)

Vern Gibson

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■ Learning Resources

Required:

- *Introduction to Managerial Accounting*, Canadian edition, by Garrison, Noreen, Kalagnanam, Vaidyanathan, ISBN 0-07-091617-9
- Financial calculator (Note: Programmable calculators are not permitted to be used during quizzes or exams.)

Recommended:

- Access to the Internet. (The website that supports the assigned textbook offers a variety of supplemental learning tools.)
- *Study Guide/Workbook for Use with Introduction to Managerial Accounting*, Canadian edition, prepared by Michael L. Hockenstein. ISBN 0-07-092703-0 (Note: This study guide is strictly optional but is useful for those who want extra practice with problems that have solutions provided.)

■ Information for Students

(Information below can be adapted and supplemented as necessary.)

The following statements are in accordance with the BCIT Student Regulations Policy 5002. To review the full policy, please refer to: <http://www.bcit.ca/~presoff/5002.pdf>.

Attendance/Illness:

In case of illness or other unavoidable cause of absence, the student must communicate as soon as possible with his/her instructor or Program Head or Chief Instructor, indicating the reason for the absence. Prolonged illness of three or more consecutive days must have a BCIT medical certificate sent to the department. Excessive absence may result in failure or immediate withdrawal from the course or program.

Academic Misconduct:

Violations of academic integrity, including dishonesty in assignments, examinations, or other academic performances are prohibited and will be handled in accordance with the 'Violations of Standards of Conduct' section of Policy 5002.

Attempts:

Students must successfully complete a course within a maximum of three attempts at the course. Students with two attempts in a single course will be allowed to repeat the course only upon special written permission from the Associate Dean. Students who have not successfully completed a course within three attempts will not be eligible to graduate from their respective program.

Accommodation:

Any student who may require accommodation from BCIT because of a physical or mental disability should refer to BCIT's Policy on Accommodation for Students with Disabilities (Policy #4501), and contact BCIT's Disability Resource Centre (SW1-2300, 604-451-6963) at the earliest possible time. Requests for accommodation must be made to the Disability Resource Centre, and should not be made to a course instructor or Program area.

■ Information for Students (cont'd.)

Any student who needs special assistance in the event of a medical emergency or building evacuation (either because of a disability or for any other reason) should also promptly inform their course instructor(s) and the Disability Resource Centre of their personal circumstances.

■ Quiz Details

Each week in lab, after the homework assigned for that particular week has been reviewed in class and after any remaining questions students may have on the material presented have been answered, there will be a 10-minute quiz. This will make up 30% of the student's final course grade. The best way to prepare for these quizzes will be to:

- A. do the homework as it is assigned,
- B. identify and attempt to resolve any areas of uncertainty or confusion with the help of fellow students and the instructor, before the assigned are reviewed in lab, and
- C. ask questions while solutions are being reviewed in lab so as to clear up any areas of uncertainty or confusion.

Schedule

Week of/ Number	Outcome/Material Covered	Reference/ Reading	Assignment	Due Date
Jan. 3	An Introduction to Managerial Accounting	Chapter 1	To be advised	
Jan. 8	Cost Concepts	Chapter 2	To be advised	Jan. 15
Jan. 15, 22	System Design: Job Order Costing	Chapter 3	To be advised	Jan. 29
Jan. 29	Activity-based Costing	Chapter 5	To be advised	Feb. 5
Feb. 5	Cost Behavior: Analysis and Use	Chapter 6	To be advised	Feb. 12
Feb. 12	Cost-Volume-Profit Relationships	Chapter 7	To be advised	Feb. 19
Feb. 19	Budgeting	Chapter 8	To be advised	Mar. 5
Feb. 26	Review			
Mar. 5	Midterm Exam (Chapters 1, 2, 3, 5, 6, 7, 8)			
Mar. 12	Midterm Break			
Mar. 19, 26	Standard Costs	Chapter 9	To be advised	Apr. 2
Apr. 2, 9	Flexible Budgets and Overhead Analysis	Chapter 10	To be advised	Apr. 16
Apr. 16	Decentralization and Performance Measurement	Chapter 11	To be advised	Apr. 23
Apr. 23	Relevant Costs for Decision Making	Chapter 12	To be advised	Apr. 30
Apr. 30	Capital Budgeting Decisions	Chapter 13	To be advised	May 7
May 7	"How Well am I Doing?" Financial Statement Analysis	Chapter 14	To be advised	May 14
May 14	Review			
May 21	Final Exam (All Chapters, with emphasis on Chapters 9, 10, 11, 12, 13, and 14)			