

SEP 05 2003



**BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

**Course Outline**

**School of Business**  
**Program: Business Administration Post-Diploma**

**FMGT 2110**  
**Financial Management 2**  
**January 2003**

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<b>Hours/Week</b>	<b>4</b>	<b>Total Hours:</b>	<b>64</b>	<b>Term/Level:</b>	<b>Post-Diploma</b>
Lecture:	2	<b>Total Weeks:</b>	<b>16</b>	<b>Credits:</b>	<b>5.5</b>
Lab:	2				

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**Prerequisites**

FMGT 2110 is a Prerequisite for:

<b>Course No.</b>	<b>Course Name</b>	<b>Course No.</b>	<b>Course Name</b>
FMGT 1110	Financial Management 1		

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■ **Course Description**

Covers managerial accounting; cost terms; planning and control; using cost data in decision making. Specific topics include job order costing, cost behavior, cost-volume-profit analysis, standard costs, budgeting, pricing products and services, relevant costs and capital budgeting.

■ **Course Goals**

In this course students will learn how to use accounting information and a variety of analytical techniques to assist management in decision making, planning and control.

■ **Evaluation**

Final examination	30%
Mid-term examination	30%
Tests (2 x 15% each)	30%
Preparedness Quizzes	10%
	<u>100%</u>

**■ Course Learning Outcomes/Competencies**

Upon successful completion of this course, the student will be able to:

1. Identify the ratios used to measure the well-being of the common shareholder, the short-term creditor and the long-term creditor, and state each ratio's formula and interpretation.
2. Describe the purposes for which the manager needs accounting information.
3. Identify the major differences and similarities between financial and managerial accounting.
4. Prepare financial statements for a manufacturing firm.
5. Identify and give examples of cost types and classifications according to differing management needs.
6. Distinguish between process costing and job-order costing and identify companies that would use each costing method.
7. Compute and apply predetermined overhead rates and explain why estimated overhead costs (rather than actual overhead costs) are used in the costing process.
8. Compute under- or over-applied overhead cost for a period and prepare the journal entry needed to close the balance into the appropriate accounts.
9. Identify examples of variable and fixed costs and explain the effect of a change in activity on both total costs and unit costs.
10. Define the relevant range and explain its significance in cost behaviour analysis.
11. Distinguish between committed and discretionary fixed costs.
12. Analyze a mixed cost by the high-low method and the least-squares method, and enumerate the strengths and weaknesses of each of these analytical approaches.
13. Prepare an income statement using the contribution format.
14. Compute the breakeven point by both the equation method and the unit contribution method.
15. Use the CVP formulas to determine the activity level needed to achieve a desired target net profit figure.
16. Compute the breakeven point for a multiple product company, and explain the effects of shifts in the sales mix on contribution margin and the breakeven point.
17. Prepare income statements using both variable and absorption costing and reconcile the two net income figures.
18. Explain the advantages and limitations of both the variable and absorption costing methods.
19. Prepare a sales budget, a production budget, a direct materials budget, a manufacturing overhead budget, a selling and administrative expense budget, a cash budget, a budgeted income statement and a budgeted balance sheet.

20. Compute the direct materials price and quantity variances, materials mix and yield variances, direct labour rate and efficiency variances and variable overhead spending and efficiency variances, and explain their significance.
21. Prepare performance reports incorporating flexible budgets.
22. Apply fixed overhead cost to units of product in a standard cost system and compute and properly interpret the fixed overhead budget and volume variances.
23. Prepare a segmented income statement using the contribution format, and explain the difference between traceable fixed costs and common fixed costs.
24. Compute and analyze the ROI.
25. Compute the residual income and enumerate the strengths and weaknesses of this method of measuring performance.
26. Prepare an analysis showing whether a product line or other organizational segment should be dropped or retained.
27. Explain what is meant by a make or buy decision and prepare a well-organized make or buy analysis.
28. Make appropriate computations to determine the most profitable utilization of scarce resources in an organization.
29. Prepare an analysis showing whether joint products should be sold at the split-off point or processed further.
30. Determine the acceptability of an investment project using the net present value method and the internal rate of return method.
31. Compute the after-tax net present value of an investment proposal.
32. Rank investment projects in order of preference under both the internal rate of return method and the net present value method with the profitability index.

■ **Verification**

I verify that the content of this course outline is current

_____ Victor Waese Authoring Instructor	_____ December 5, 2002 Date
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I verify that this course outline has been reviewed

_____ Program Head/Chief Instructor	_____ Date
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I verify that this course outline complies with BCIT policy

_____ Authoring Instructor	_____ Date
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■ **Instructor**

Victor Waese, MBA, CGA

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■ **Learning Resources**

Required:

Garrison, Noreen, Chesley and Carroll, *Managerial Accounting*, Fifth Canadian Edition, McGraw-Hill Ryerson

Financial calculator

■ **Policies and Procedures**

1. All outlines, schedules and marks allocations are subject to change at the discretion of the instructor.
2. This Course Outline may assist you in the future to receive credit for all or part of a course from another post-secondary institution or from a professional program. It is strongly recommended that you keep this Course Outline for future reference.
3. Acts of cheating plagiarism and dishonesty are not tolerated. The degree of punitive action may vary from a written warning to withdrawal from the program. These penalties may also be applied to students who knowingly contribute to an act of cheating, plagiarism or dishonesty. (See the current BCIT Calendar.)
4. Attendance requirements will be enforced as per the current BCIT policy. Students who are absent for more than 10 percent of the course may not be permitted to write the final examination. Please keep the instructor informed if you are absent because of illness or for other valid reasons.
5. I.D. Required in Examination Centres  
Effective December 2000, in order to write exams, students will be required to produce photo-identification at examination centres. Photo I.D. must be placed on the desk before an exam will be issued to the student. The I.D. must remain in view on the desk while writing the exam, for inspection by the invigilators. Students should bring a BCIT OneCard or alternatively two pieces of identification, one of which must be government photo I.D. such as a drivers license. Formal invigilation procedures are detailed in BCIT policy # 5300.
6. Examinations are an important and necessary component of Financial Management courses. Students are expected to write mid-term and final examinations on the scheduled days. Refer to your course outline. Circumstances such as legitimate illness may arise and make it impossible to write an exam (Doctors notes are required for all cases). Such circumstances must be communicated to the instructor **in advance** of the examination date. In such cases the instructor may decide to:
  - a) allow you to write at an alternate time or
  - b) transfer the marks to the final examination.In all other cases missed examinations will result in a mark of zero.

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- **Details concerning assignments and evaluation**

#### Scope of student's responsibility

The examinable material in this course consists of the material covered in lectures and in the assigned text readings. Most of this material will be reviewed in the assigned problems that we take up in the labs. You are expected to have completed the assigned readings and problems before arriving at the labs that have been scheduled to deal with the assigned material.

You will not be submitting any assignments to me for grading. This does not lessen your responsibility for being prepared to review the material when we take it up in lab. In my opinion, it will be very difficult for you to learn the material in this course if you do not first do the problems on your own and then come to lab ready to check your work for accuracy. Doing the work in advance is the only way for you to determine which parts of the material you do not understand so that you can ask questions and get clarification. I cannot emphasize enough that doing the work in advance is the best way to prepare yourself for learning from our working on the solutions together. If you come to lab only to copy out the correct solutions in the hope that that will help you prepare for the exams, you will inevitably not learn the material adequately.

#### Preparedness Quizzes

To provide you with some external motivation to keep your work up-to-date, there will be a 10 minute preparedness quiz every week, at the beginning of the first of the two labs devoted to the particular chapter. The material to be quizzed will be taken from the text readings and problems scheduled for that topic. These quizzes are not designed to test the student's mastery of the material, but instead to provide a grade-based incentive for students to have done the assigned reading and problems prior to our covering this material in lab. A grade of 50% or better on a preparedness quiz will result in the grade on that quiz being recorded as 100%. A grade of less than 50% on a preparedness quiz will result in the grade on that quiz being recorded as 0%. The preparedness quizzes in total will account for 10% of the student's final grade in the course.

#### Tests and Exams

There will be 2 mid-term tests, 1 mid-term exam, and 1 final exam. The mid-term tests will be 1 hour in length and will be scheduled for one of the regularly scheduled lecture hours. The exams will be specially scheduled and will be 2 hours in length.

#### Personal Reference Sheet

All quizzes, tests, and exams will be closed book. However, students may use one, self-prepared, single-page, Personal Reference Sheet to refer to during quizzes, tests, and exams. The Personal Reference Sheet may not be any larger than 8 ½" x 11", and on that sheet, there may only be hand written notes, written by the student for his/her own reference. There may not be any photocopied material on the sheet, nor may there be any items attached to the sheet.

## ■ LECTURE SCHEDULE

Dates (#2 indicates second lecture in that week)	Lecture Topics	Chapter	Problems to be covered in the two labs beginning after the Date in Column 1
Jan. 6	Profit Planning	9	
Jan. 13	Financial Statement Analysis	17	P9-12, P9-17
Jan. 20	Managerial Accounting and the Business Environment Cost Terms, Concepts and Classifications	1 2	P17-12, P17-13
Jan. 27	Systems Design: Job-Order Costing	3	E1-1, E1-2, P2-15, P2- 16
Week of Feb 3	Quiz on Chapters 9,17, 1 and 2		
Feb. 3 #2	Cost Behaviour: Analysis and Use	5	E3-7, P3-20, P3-21
Feb. 10 #2	Cost-Volume-Profit Relationships	6	E5-10, P5-11, P5-12, P5-21
Feb. 17 #2	Variable Costing: A Tool for Management	7	P6-12, P6-15
Feb. 24 #2	Activity Based Costing: A Tool to Aid Decision Making	8	E7-6, P7-8, P7-9
Mar. 3	Mid-Term Exam Chapters 9,17,1,2,3,5,6,7		
Mar.10	Spring Break – no classes		
Mar. 17 #2	Standard Costs & Balanced Scorecard	10	E8-3, E8-4, P8-12, P8- 14
Mar.24 #2	Flexible Budgets and Overhead Analysis	11	E10-1, E10-9, E10-11, P10-14
Apr. 7 #2	Segments, Profitability Analysis and Decentralization	12	E11-5*, E11-7, P11-13, P11-15
Apr. 14 #2	Relevant Costs for Decision Making	13	P12-15, P12-18, P12- 27

Apr 21 #2	Quiz on Chapters 8, 10, 11, 12		
Apr. 28	Capital Budgeting Decisions	14	E13-1, E13-2, E13-6, E13-8, E13-10
May 5 (one lecture only)	Income taxes in Capital Budgeting	15	E14-10, E14-12, E14- 13, P14-20, E15-2, E15-3, P15-13
May 5 #2	Review		
May 12	Final Exam on Chapters 8 to 15		

\*For E11-5, add "Standard machine hours allowed for actual output was 11,000. Delete "Show only a spending variance on your reports."