



**BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

**Course Outline**

**School of Business**

**Program: Business Administration Post-Diploma**

**FMGT 2110**

**Financial Management 2**

**January 2005**

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<b>Hours/Week</b>	<b>4</b>	<b>Total Hours:</b>	<b>80</b>	<b>Term/Level:</b>	<b>Post-Diploma</b>
Lecture:	2	<b>Total Weeks:</b>	<b>20</b>	<b>Credits:</b>	<b>5.5</b>
Lab:	2				

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**Prerequisites**

FMGT 2110 is a Prerequisite for:

Course No.	Course Name	Course No.	Course Name
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 & process 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	40%
Mid-term examination	30%
Tests (4 x 5% each)	20%
Preparedness Quizzes (15)	10%
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	<b>100%</b>

### ■ Course Learning Outcomes/Competencies

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

1. Describe the purposes for which the manager needs accounting information.
2. Identify the major differences and similarities between financial and managerial accounting.
3. Prepare financial statements for a manufacturing firm.
4. Identify and give examples of cost types and classifications according to differing management needs.
5. Distinguish between process costing and job-order costing and identify companies that would use each costing method.
6. Compute and apply predetermined overhead rates and explain why estimated overhead costs (rather than actual overhead costs) are used in the costing process.
7. Compute under- or over-applied overhead cost for a period and prepare the journal entry needed to close the balance into the appropriate accounts.
8. Identify examples of variable and fixed costs and explain the effect of a change in activity on both total costs and unit costs.
9. Define the relevant range and explain its significance in cost behaviour analysis.
10. Distinguish between committed and discretionary fixed costs.
11. 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.
12. Prepare an income statement using the contribution format.
13. Compute the breakeven point by both the equation method and the unit contribution method.
14. Use the CVP formulas to determine the activity level needed to achieve a desired target net profit figure.
15. 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.
16. Prepare income statements using both variable and absorption costing and reconcile the two net income figures.
17. Explain the advantages and limitations of both the variable and absorption costing methods.
18. 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.
19. 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.
20. Prepare performance reports incorporating flexible budgets.
21. 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.
22. Prepare a segmented income statement using the contribution format, and explain the difference between traceable fixed costs and common fixed costs.
23. Compute and analyze the ROI.
24. Compute the residual income and enumerate the strengths and weaknesses of this method of measuring performance.
25. Prepare an analysis showing whether a product line or other organizational segment should be dropped or retained.

26. Explain what is meant by a make or buy decision and prepare a well-organized make or buy analysis.
27. Make appropriate computations to determine the most profitable utilization of scarce resources in an organization.
28. Prepare an analysis showing whether joint products should be sold at the split-off point or processed further.
29. Determine the acceptability of an investment project using the net present value method and the internal rate of return method.
30. Compute the after-tax net present value of an investment proposal.
31. 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.
32. 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.

■ **Verification**

I verify that the content of this course outline is current

_____ Tom Friedrich Authoring Instructor	_____ December 22, 2004 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

_____ Tim Edwards Associate Dean	_____ December 23, 2004 Date
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■ **Instructor**

Tom Friedrich, MBA, CGA

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■ **Learning Resources**

Required:

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

Financial calculator – Sharp EL-733 or equivalent

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■ **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 Centers  
Effective December 2000, in order to write exams, students will be required to produce photo-identification at examination centers. 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 driver's 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 for grading. This does not lessen your responsibility for being prepared to review the material when we take it up in lab. It is very difficult to learn the material in this course if you do not first do the problems on your own and then come to your lab ready to check your work for accuracy. Doing the work in advance is the only way to determine which parts of the material you do not understand. Be prepared to ask questions and get clarification during the labs. Doing work in advance is the best way to prepare for the lectures and labs as well as the exams. Copying the correct solutions will not prepare you for the exams.

**Preparedness Quizzes**

To provide you with some external motivation to keep your work up-to-date, there will be a 5-minute preparedness quiz every week. This quiz will be at the beginning of the first lecture devoted to the particular chapter. The material to be quizzed will be taken from the text readings 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 prior to our covering this material in lecture & lab.

**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 or any items attached to the sheet.

▪ LECTURE SCHEDULE

Week of	Lecture Topics	Chapter
Jan. 3	Managerial Accounting and the Business Environment	1
Jan. 10	Cost Terms, Concepts, and Classifications	2
Jan. 17	Systems Design: Job-Order Costing	3
Jan. 24	Systems Design: Process Costing	4
Jan. 31	Cost Behaviour: Analysis and Use	5
Feb. 7	Cost-Volume-Profit Relationships	6
Feb. 14	Variable vs. Absorption Costing: A Tool for Management	7
Feb. 21	Activity Based Costing: A Tool to Aid Decision Making	8
Feb. 28	Review Chapters 1 to 7	
Mar. 7	Mid-Term Exam Chapters 1 to 7	
Mar.14	Spring Break	
Mar. 21	Budgeting	9
Mar. 28	Standard Costs & Balanced Scorecard	10
Apr. 4	Flexible Budgets and Overhead Analysis	11
Apr. 11	Segments, Profitability Analysis and Decentralization	12
Apr. 18	Relevant Costs for Decision Making	13
Apr. 25	Capital Budgeting Decisions	14
May 2	Income Taxes in Capital Budgeting	14 Appendix
May 9	Financial Statement Analysis	15
May 16	Review Chapters 8 to 15	
May 24	Final Exam Chapters 8 to 15	