



A POLYTECHNIC INSTITUTION

School of Business

Program: Business Administration Post-Diploma

FMGT 2110**Financial Management 2**

Start Date:	January 2006	End Date:	May 2006		
Total Hours:	80	Total Weeks:	20	Term/Level:	Post-Diploma
Hours/Week:	4	Lecture:	2	Lab:	2
		Shop:		Seminar:	
				Other:	

Prerequisites**Course No.** **Course Name**

FMGT 1110 Financial Management 1

Course Description

This course has been designed to give non-accounting majors an appreciation of the uses and limitations of cost and managerial accounting in the decision-making processes of an organization. Emphasis will be placed on identifying the relevance of this discipline to other functional areas; capital budgeting, production planning, cost analysis and minimization, contribution maximization, and performance measurement. Concepts will be related to both manufacturing and knowledge-based, service business environments.

Students will study a variety of analytical techniques that can be applied to financial and operational data to support management decisions.

Evaluation

Wake-up Quizzes	15%
Midterms (2 x 25)	50%
Final Exam	35%
TOTAL	100%

Course Learning Outcomes/Competencies

Upon successful completion, the student will be able to:

Managerial Accounting and the Business Environment

- Identify the major differences and similarities between financial and managerial accounting.
- Understand the role of management accountants in an organization.
- Explain the importance of upholding ethical standards.

Cost Terms, Concepts, and Classification

- Identify and give examples of each of the three basic cost elements involved in the manufacture of a product.
- Distinguish between product costs and period costs and give examples of each.
- Prepare a schedule of cost of goods manufactured in good form.
- Explain the difference in behaviour of fixed and variable costs.
- Define direct and indirect costs.

- Define and give examples of cost classifications used in making decisions: differential costs, opportunity costs, and sunk costs.

Systems Design: Job-Order Costing

- Distinguish between process costing and job-order costing and identify companies that would use each costing method.
- Compute predetermined overhead rates and explain why estimated overhead costs (rather than actual overhead costs) are used in the costing process.
- Apply overhead cost to Work in Process using a predetermined overhead rate.
- Compute under- or over-applied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Systems Design: Process Costing

- Compute equivalent units of production using the weighted average method.
- Given an example, prepare a process costing production report using the weighted average method.

Cost Behaviour: Analysis and Use

- Understand how fixed and variable costs behave and how to use them to predict costs.
- Use a scattergram plot to diagnose cost behaviour
- Analyze a mixed cost using the high-low method.
- Analyze a mixed cost using the least-squares regression method
- Prepare an income statement using the contribution format.

Cost-Volume-Profit Relationships

- Use the contribution margin ratio (CM ratio) to compute changes in contribution margin and net operating income resulting from changes in sales volume.
- Show the effects on contribution margin of changes in variable costs, fixed costs, selling price, and volume.
- Compute the break-even point.
- Determine the level of sales needed to achieve a desired target profit.
- Compute the margin of safety and explain its significance.
- 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.

Variable vs. Absorption Costing

- Explain how variable costing differs from absorption costing and compute unit product costs under each method.
- Prepare income statements using both variable and absorption costing.
- Understand the advantages and disadvantages of both variable and absorption costing.

Activity-Based Costing

- Understand activity-based costing and how it differs from a traditional costing system.
- Assign costs to cost pools using a first-stage allocation.
- Compute activity rates for cost pools.
- Assign costs to a cost object using a second-stage allocation.

Budgeting

- Understand why organizations budget and the processes they use to create budgets.
- Prepare the various steps in a master budget..

Standard Costs

- Explain how direct materials standards and direct labour standards are set.
- Compute the direct materials price and quantity variances, and explain their significance.
- Compute the direct labour rate and efficiency variances, and explain their significance.
- Compute the variable manufacturing overhead spending and efficiency variances, and explain their significance.

Flexible Budgets and Overhead Analysis

- Prepare a flexible budget and explain the advantages of the flexible budget approach over the static budget approach.
- Prepare a performance report for both variable and fixed overhead costs using the flexible budget approach.
- Use the flexible budget to prepare a variable overhead performance report containing both a spending and an efficiency variance.
- Compute and interpret the fixed overhead budget and volume variances.

Segment Reporting

- Differentiate among cost, revenue, profit, and investment centres and explain how performance is measured in each.
- Prepare a segmented income statement using the contribution format, and explain the difference between traceable fixed costs and common fixed costs.
- Compute and understand the return on investment (ROI) measure.
- Compute the residual income and understand the strengths and weaknesses of this method of measuring performance.

Relevant Costs for Decision Making

- Distinguish between relevant and irrelevant costs in decisions.
- Prepare an analysis showing whether a product line should be dropped or retained.
- Prepare a make-or-buy analysis.
- Prepare an analysis showing whether a special order should be accepted.
- Determine the most profitable use of a constrained resource.
- Prepare an analysis showing whether joint products should be sold at the split-off point or processed further.

Capital Budgeting Decisions

- Evaluate the acceptability of an investment project using the net present value method.
- Evaluate the acceptability of an investment project using the internal rate of return method.
- Rank investment projects in order of preference.
- Explain the effect of inflation on capital budgeting decisions.
- Include income taxes in a capital budgeting analysis

Verification

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


Matthew Haussmann, CD, B.Comm., MBA, CMA

Authoring Instructor

December 26, 2005

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.


Tim Edwards, Dipl.T, MBA, CMA

Associate Dean

December 26, 2005

Date

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

Instructor

Matthew Haussmann

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Learning Resources**Required:**

Textbook: Garrison, Noreen, Chesley and Carroll, *Managerial Accounting*, 6th Canadian Edition, McGraw-Hill Ryerson, ISBN 0-07-091516-4

Financial Calculator, Sharp EL-733A or equivalent

Information for Students

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 lectures and labs that have been scheduled to deal with the assigned material.**

Assignments: 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 the 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.

Makeup Tests, Exams or Quizzes: 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. 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 allow you to write at an alternate time.

In all other cases missed examinations will result in a mark of zero.

Ethics: BCIT assumes that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism for a first offence will therefore, at a minimum, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.

Attendance: The attendance policy as outlined in the current BCIT Calendar will be enforced. Attendance will be taken at the beginning of each session. Students not present at that time will be recorded as absent.

Illness: A doctor's note is required for any illness causing you to miss exams.

Course Outline Changes: The material or schedule specified in this course outline may be changed by the instructor. If changes are required, they will be announced in class.

Assignment Details**Schedule**

Week of	Material Covered	Reference/ Reading
9 Jan 06	Managerial Accounting and the Business Environment; Cost terms, Concepts, and Classifications	Ch.1 pp. 1-12, 22-24 Ch.2 pp.30-48
16 Jan 06	Systems Design: Job-Order Costing	Ch.3 pp.80-108
23 Jan 06	Systems Design: Process Costing	Ch.4 pp. 144-162
30 Jan 06	Cost Behaviour: Analysis and Use	Ch.5 pp.186-209
6 Feb 06	Review Ch.1-5 & Mid-term exam Ch. 1-5	
13 Feb 06	Cost-Volume-Profit Relationships	Ch.6 pp.228-254
20 Feb 06	Variable vs. Absorption Costing: A Tool for Management	Ch.7 pp.282-300
27 Feb 06	Activity Based Costing: A Tool to Aid Decision Making	Ch.8 pp.322-356
6 Mar 06	Budgeting	Ch.9 pp.380-407
13 Mar 06	Spring Break	
20 Mar 06	Review Ch.6-9 & Mid-term exam Ch. 6-9	
27 Mar 06	Standard Costs	Ch.10 pp.432-459
3 Apr 06	Flexible Budgets and Overhead Analysis	Ch.11 pp.498-519
10 Apr 06	Segments, Profitability Analysis and Decentralization	Ch.12 pp.544-575
17 Apr 06	Relevant Costs for Decision Making, no class 17 Apr (Easter Monday)	Ch.13 pp.614-635
24 Apr 06	Relevant Costs for Decision Making	Ch.13 pp.614-635
1 May 06	Capital Budgeting Decisions	Ch.14 pp.670-691,
8 May 06	Income Taxes in Capital Budgeting	Ch.14 pp.695-709, 714-720
15 May 06	Review Chapters 10 to 14	
22 May 06	Final Exam	