

## POLYTECHNIC INSTITUTION

School of: Business  
 Programs: Information Technology Management  
 Integrated Management Studies

FMGT 3221  
 Management Accounting Administration

|                     |                |                     |    |                    |               |                        |   |
|---------------------|----------------|---------------------|----|--------------------|---------------|------------------------|---|
| <b>Start Date:</b>  | September 2007 |                     |    | <b>End Date:</b>   | December 2007 |                        |   |
| <b>Total Hours:</b> | 60             | <b>Total Weeks:</b> | 15 | <b>Term/Level:</b> | 3             | <b>Course Credits:</b> | 4 |
| <b>Hours/Week:</b>  | 4              | <b>Lecture:</b>     | 2  | <b>Lab:</b>        | 2             | <b>Shop:</b>           |   |
|                     |                |                     |    |                    |               | <b>Seminar:</b>        |   |
|                     |                |                     |    |                    |               | <b>Other:</b>          |   |

**Prerequisites:**

| Course No.             | Course Name  | Course No. | Course Name |
|------------------------|--------------|------------|-------------|
| FMGT 2100 or FMGT 2190 | Accounting 2 |            |             |

■ **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              | 40%          | <i>Comment: See "Quiz Details" below</i> |
| Mid term examination | 25%          |  |
| Final examination    | <u>35%</u>   |  |
| TOTAL                | <u>100 %</u> |  |

■ **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.

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 behaviour 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 inter-relationships among cost, volume, and profit in making business decisions.
- 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.
7. Explain the purpose and issues related to budgeting in business, and 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 labour budget, a manufacturing overhead budget, a selling and administrative expense budget, a cash budget, a budgeted income statement, a budgeted balance sheet.
  - c) Understand the processes organization use to create budgets and the practical issues raised.

- d) Understand the Beyond Budgeting Model and its approach to budgeting.
8. Explain the concept of management by exception and variance analysis, and to compute material, labour, and overhead variances.
- a) Explain how direct materials and direct labour standards are set.
  - b) Compute and apply the direct materials price and quantity variances and explain their significance.
  - c) Compute and apply the direct labour 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 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 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 applies 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.
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.

|                        |               |      |
|------------------------|---------------|------|
| Victor Waese, MBA, CGA | July 19, 2007 |      |
| Authoring Instructor   |               | Date |

I verify that this course outline has been reviewed.

|                               |                 |      |
|-------------------------------|-----------------|------|
| Tim Edwards                   | August 22, 2006 |      |
| Program Head/Chief Instructor |                 | Date |

I verify that this course outline complies with BCIT policy.

|                     |                 |      |
|---------------------|-----------------|------|
| Tim Edwards         | August 22, 2006 |      |
| Dean/Associate Dean |                 | Date |

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

■ **Instructor(s):**

|              |                  |               |                 |  |
|--------------|------------------|---------------|-----------------|--|
| Victor Waese | Office Location: | SE6 Room 343  | Office Phone:   | 604-456-8151                                       |
|              | Office Hours:    | To be advised | e-Mail Address: | <a href="mailto:vwaese@bcit.ca">vwaese@bcit.ca</a> |

■ **Communicating with your instructor:**

- You may contact me via e-mail at [vwaese@bcit.ca](mailto:vwaese@bcit.ca). To be sure your message is not accidentally treated as spam mail, please include in your subject heading the following:  
  
“Name, Student #, Set, FMGT 3221”    *example:* “John Smith A00116677 BMGT 3A FMGT 3221”
- It is more efficient to contact me by email than it is by phone, as I constantly check my email messages, even when I am not in the office.
- Please make sure that your “MyBCIT” e-mail account has been set up to automatically forward incoming e-mail to whatever e-mail address you regularly use. If I find it necessary to communicate with a student in FMGT 3221 by e-mail, I will send an e-mail to the student’s MyBCIT e-mail addresses, and you will not receive these messages on a timely basis if you do not forward your MyBCIT e-mail to an account you regularly check.

■ **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 for use during quizzes or exams)

*Recommended:*

- Access to the Internet (The web site 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 it is useful for those who want extra practice with problems that have solutions provided.)

## ■ Information for Students

**Assignments:** late assignments, lab reports or projects will NOT be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.

**Makeup Tests, Exams or Quizzes:** There will be NO make up tests, exams or quizzes. If you miss a test, exam or quiz, you will receive zero marks. Exceptions may be made for DOCUMENTED medical reasons or extenuating circumstances. In such a case, it is the responsibility of the student to inform the instructor IMMEDIATELY.

**Ethics:** BCIT that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course. See “A Note on Confidentiality and Cheating” below.

**Attendance:** The attendance policy as outlined in the current BCIT Calendar will be enforced. Attendance may 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 assignments, quizzes, tests, projects, or exam. At the discretion of the instructor, you may complete the work missed or have the work prorated.

**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.

## ■ 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 yet have on the material have been answered, there will be a 15 minute quiz based on one or more of the assignment questions that have just been reviewed. In many cases, the quiz questions will mirror with only minor variations the questions that had formed part of the assignment.

There will be 12 such quizzes during the term. Results from the worst 3 of the quizzes will be discarded, and the marks earned on the best 9 will make up 40% of the student's final course grade. The best way to prepare for these quizzes will be: (a) to do the weekly homework as it is assigned; (b) to make an effort, before the homework is reviewed in lab, to identify and attempt to resolve any areas of uncertainty or confusion with the help of fellow students and the instructor; and (c) to then use the lab time to ask questions while solutions are being reviewed so as to clear up any remaining areas of uncertainty or confusion.

This method of evaluation is intended to encourage students to remain current by completing assignments before they are reviewed in class, and by accepting responsibility for clearing up uncertainties. **Students are encouraged to take advantage of the instructor's availability to provide one-on-one instruction during scheduled office hours. Appointments can be made, and walk-ins are welcome if the time has not been otherwise booked as the material is being studied.**

## ■ A Note on Confidentiality and Cheating

Because some sets in this course will write their quizzes earlier in the week than other sets, and because it is only fair that the quizzes that every set writes be reasonably similar, we need to have an understanding regarding confidentiality of quiz materials. In this course, I will consider it an act of cheating if any student makes any kind of effort to determine what material has been on a quiz written by a fellow student earlier in the week; and any student who provides such information to anyone else will also be considered to have cheated.

It is important that students treat this rule regarding quiz confidentiality as important as they would be obliged to treat the laws prohibiting “insider trading” were they a senior executive in a public company. Clearly it is easy enough and profitable for such executives to violate the laws prohibiting insider trading, but it is illegal for them to do so, and it is unethical because their actions harm society, which depends upon a financial system in which there is fair dealing. For this reason, in modern economies such as in Canada, the punishments for anyone found guilty of insider trading are very severe, as will be the punishment in this course, for anyone found guilty of violating the confidentiality of quiz material. For everyone's evaluation in this course to be fair, it is vital that the confidentiality of quiz material be respected. Don't ask anyone and don't tell anyone what was on a quiz.

■ Assignment Details

Schedule

| Week of/<br>Number | Material Covered   | Reference/<br>Reading  | Assignment & Chapter Quiz |                     |
|--------------------|--|------------------------|---------------------------|---------------------|
|                    |  |                        | Homework                  | Due Date<br>Week of |
| Sept 3             | An Introduction to Managerial Accounting<br>Cost Concepts                  | Chapter 1<br>Chapter 2 | Listed in<br>lecture note | Sept 10             |
| Sept 10            | Systems Design: Job Order Costing  | Chapter 3              | Listed in<br>lecture note | Sept 17             |
| Sept 17            | Activity-based costing   | Chapter 5              | Listed in<br>lecture note | Sept 24             |
| Sept 24            | Cost Behaviour: Analysis and Use   | Chapter 6              | Listed in<br>lecture note | Oct 1               |
| Oct 1              | Cost-Volume-Profit Relationships   | Chapter 7              | Listed in<br>lecture note | Oct 8               |
| Oct 8              | Budgeting  | Chapter 8              | Listed in<br>lecture note | Oct 15              |
| Oct 15             | Standard Costs   | Chapter 9              | Listed in<br>lecture note | Oct 29              |
| Oct 22             | Mid-Term Exam (Chapters 1, 2, 3, 5, 6, 7, 8)                               |                        |                           |                     |
| Oct 29             | Flexible Budgets and Overhead Analysis                                     | Chapter 10             | Listed in<br>lecture note | Nov 5               |
| Nov 5              | Decentralization and Performance Measurement                               | Chapter 11             | Listed in<br>lecture note | Nov 12              |
| Nov 12             | Relevant Costs for Decision Making   | Chapter 12             | Listed in<br>lecture note | Nov 19              |
| Nov 19             | Capital Budgeting Decisions  | Chapter 13             | Listed in<br>lecture note | Nov 26              |
| Nov 26             | "How Well am I Doing?" Financial Statement Analysis                        | Chapter 14             | Listed in<br>lecture note | Dec 3               |
| Dec 3              | Review   |                        |                           |                     |
| Dec 10             | Final Exam (All chapters, with emphasis on chapters 9, 10, 11, 12, 13, 14) |                        |                           |                     |

## ■ Additional Scheduling Information

### Rescheduling for BMGT 3A, BMGT 3B, and ITMG 3A

Due to the school being closed for Shinerama, Thanksgiving, and Remembrance Day, we will need to reschedule a number of labs. Please take note of the following in your schedules. You will be informed of the specific rooms for the rescheduled labs when this information is available.

The lecture on

Rescheduling for Shinerama

| Cancel         | Set                     | Reschedule to                                    |
|----------------|-------------------------|--|
| Sep 26 @ 10:30 | BMGT 3A, 3B and ITMG 3A | Lecture is cancelled and will not be rescheduled |
| Sep 26 @ 1:30  | BMGT 3A                 | Tues, Sep 15, 11:30 - 12:20                      |

Rescheduling needed for Thanksgiving for BM A/B and ITA A

| Cancel        | Set     | Reschedule to                 |
|---------------|---------|-------------------------------|
| Oct 8 @ 10:30 | BMGT 3A | Tues, Oct 9, 11:30 - 12:20    |
| Oct 8 @ 11:30 | ITMG 3A | Friday, Oct 12, 10:30 - 11:20 |
| Oct 8 @ 2:30  | BMGT 3B | Tues, Oct 9, 10:30 - 11:20    |

Rescheduling needed for Remembrance day

| Cancel         | Set     | Reschedule to                 |
|----------------|---------|-------------------------------|
| Nov 12 @ 10:30 | BMGT 3A | Tues, Nov 13, 11:30 - 12:20   |
| Nov 12 @ 11:30 | ITMG 3A | Friday, Nov 16, 10:30 - 11:20 |
| Nov 12 @ 2:30  | BMGT 3B | Tues, Nov 13, 10:30 - 11:20   |