

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

## COURSE OUTLINE

COURSE NAME COST ACCOUNTING

COURSE NUMBER FMGT 3224

DATE SEPTEMBER 1996

Prepared by R.J. DOLAN

Taught to 2ND Year

School BUSINESS

School BUSINESS

Program FINANCIAL MANAGEMENT

OPERATIONS

Program MANAGEMENT

Date Prepared AUGUST 1996

OPERATIONS

Option MANAGEMENT

Term 3 Hrs/Wk 4 Credits         

No. of Weeks 15 Total Hours 56

Instructor(s) G.R.HUGHES Office SE6-318 Local 451-6841

Office Hours TO BE ANNOUNCED

### PREREQUISITES

FMGT 101/201

### COURSE OBJECTIVES

- i) To develop an appreciation of the necessity for cost control to the survival of the firm,
- ii) To evaluate production units in terms of cost variance analysis,
- iii) To be able to recommend modifications to the production process and changes in the cost control system,
- iv) By using discounted cash flow techniques, to identify the factors that determine the feasibility of plant expansion and/or replacement.

### Evaluation:

Final Examination	40%
Mid-Term Exam	35%
Assignments	15%
Participation	10%

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100%  
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## **REQUIRED TEXT(S) AND EQUIPMENT**

Managerial Accounting: Garrison, Chesley, Carrol  
Irwin, **Third Canadian Edition**

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## **COURSE SUMMARY**

This course has been designed for Operations Management students whose main professional duties may be other than accounting. Operations Management graduates need an understanding and appreciation of the uses (and limitations) of managerial and cost accounting in the decision-making process of an organization.

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## **SPECIFIC UNIT OBJECTIVES**

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

- (i) Identify the three primary elements of cost in a manufactured product and trace the flow of those costs from the point of incurrence to the sale of the completed product.
- (ii) Demonstrate an ability to compute the costs of direct labour, materials and manufacturing overhead.
- (iii) Distinguish between the accounting information system necessary to gather cost data for managerial decision making within a company producing a homogeneous product versus a diverse product line, i.e. job order versus process costing.
- (iv) Demonstrate a knowledge of the entries necessary to record the flow of materials, labour and overhead through the job order and the process costing systems.
- (v) Prepare job cost sheets and departmental production reports and compute the unit costs by job and department.
- (vi) Categorize and compute costs on the basis of their behaviour vis a vis production activity and differentiate between committed and discretionary fixed cost.
- (vii) Calculate the contribution margin by product and division and identify the impact of changes in variable and fixed costs, selling price and volume on that margin.
- (viii) Compute breakeven point and appraise the effect of shifts in the sales mix on the margin and breakeven.

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- (ix) Identify, compute and allocate costs to various segments of an organization; differentiate between common and traceable fixed costs.
  - (x) Distinguish between direct and absorption costing, construct income statements and calculate unit costs under each method.
  - (xi) Prepare flexible sales, production, materials, overhead, selling and administrative and cash budgets.
  - (xii) Construct an appropriate standard costing system and compute variances in direct labour, direct materials and manufacturing overhead from standard costs.
  - (xiii) Identify and recommend corrective action based upon variances exceeding predetermined acceptable levels.
  - (xiv) Identify the need for and describe the accounting control mechanism made necessary by a move to decentralize.
  - (xv) Distinguish cash inflows/outflows that are associated with an investment project and describe how they are used in capital budgeting decisions.
  - (xvi) Prepare a net present value analysis of an asset expansion or replacement.

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**Evaluation**

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Total	100%

Lecture-Week Number	Material Covered	Text Reference
1	Managerial Accounting: Cost Terms & Concepts	Chapter 1 & 2
2	Job-Order Costing	Chapter 3
3	Process Costing	Chapter 4
4	Cost-Volume-Profit Analysis	Chapter 5 & 6
5	Variable Costing	Chapter 7
6	Mid-Term Exam	Chapter 1-7 Incl.
7	Planning and Control: Overhead Costing	Chapter 8
8	Profit Planning	Chapter 9
9	Standard Costing	Chapter 10
10	Relevant Costs	Chapter 14
11	Capital Budgeting	Chapter 15
12	Capital Budgeting	Chapter 15
13	Review	

## **Cost Accounting**

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### **Assignment Schedule**

<b>Due Date</b>	<b>Problems</b>
Sept 14	Prob 2-14, 2-21
Sept 25	Prob 3-19, 3-22
Oct 2	Prob 4-16, 4-17
Oct 9	Prob 6-17, 6-19
Oct 16	Prob 7-9, 7-12
Oct 30	Prob 8-20, 8-23
Nov 6	Prob 9-14, 9-15
Nov 13	Prob 10-12, 10-19
Nov 20	Prob 14-18, 14-19
Nov 27	Prob 15-26, 15-29