



# ILLINOIS VALLEY COMMUNITY COLLEGE

## COURSE OUTLINE

**DIVISION: Natural Sciences and Business**

**COURSE: ACT 1020 Managerial Accounting**

Date: Fall 2022

Credit Hours: 3

*Complete all that apply or mark "None" where appropriate:*

Prerequisite(s): ACT 1010

Enrollment by assessment or other measure?  Yes  No

If yes, please describe:

Corequisite(s): None

Pre- or Corequisite(s): None

Consent of Instructor:  Yes  No

Delivery Method:  **Lecture**                      **3 Contact Hours** (1 contact = 1 credit hour)  
 **Seminar**                              **0 Contact Hours** (1 contact = 1 credit hour)  
 **Lab**                                        **0 Contact Hours** (2-3 contact = 1 credit hour)  
 **Clinical**                                **0 Contact Hours** (3 contact = 1 credit hour)  
 **Online**  
 **Blended**  
 **Virtual Class Meeting (VCM)**

Offered:  **Fall**     **Spring**     **Summer**

**CATALOG DESCRIPTION and IAI NUMBER (if applicable):**

Course deals with basic managerial accounting concepts and practice including classification of costs, cost-volume-profit relationship, manufacturing costs, job order and process cost systems, budgeting, standard costs and variance analysis, direct and absorption costing, cost allocation, decentralized operations, pricing decisions, capital budgeting, and statement of cash flows. **IAI Equivalent: BUS 904**

## **ACCREDITATION STATEMENTS AND COURSE NOTES:**

None

## **COURSE TOPICS AND CONTENT REQUIREMENTS:**

1. Managerial Accounting and Cost Concepts
2. Job-Order Costing: Calculating Unit Product Costs
3. Job-Order Costing: Cost Flows and External Reporting
4. Process Costing
5. Cost-Volume-Profit Relationships
6. Variable Costing and Segment Reporting: Tools for Management
7. Activity-Based Costing: A Tool to Aid Decision Making
8. Master Budgeting
9. Flexible Budgets and Performance Analysis
10. Standard Costs and Variances
11. Responsibility Accounting Systems
12. Differential Analysis: The Key to Decision Making
13. Capital Budgeting Decisions

## **INSTRUCTIONAL METHODS:**

1. Class discussion
2. Exercises and problems
3. Excel assignments
4. Quizzes
5. Exams
6. Lecture

## **EVALUATION OF STUDENT ACHIEVEMENT:**

1. Read and understand text
2. Class participation
3. Complete all homework assignments
4. Quizzes
5. Exams, including comprehensive, departmental final

## **INSTRUCTIONAL MATERIALS:**

### **Textbooks**

Managerial Accounting, Garrison, Noreen, Brewer

### **Resources:**

Inclusive Access for McGraw-Hill Connect

## **LEARNING OUTCOMES AND GOALS:**

### **Institutional Learning Outcomes**

- 1) Communication – to communicate effectively;
- 2) Inquiry – to apply critical, logical, creative, aesthetic, or quantitative analytical reasoning to formulate a judgement or conclusion;
- 3) Social Consciousness – to understand what it means to be a socially conscious person, locally and globally;
- 4) Responsibility – to recognize how personal choices affect self and society.

## **Course Outcomes and Competencies**

### **1. Managerial Accounting and Cost Concepts**

- 1.1 Understand cost classifications used for assigning costs to cost objects: direct costs and indirect costs
- 1.2 Identify and give examples of each of the three basic manufacturing cost categories
- 1.3 Understand cost classifications used to prepare financial statements: product costs and period costs
- 1.4 Understand cost classification used to predict cost behavior: variable costs, fixed costs, and mixed costs
- 1.5 Understand cost classifications used in making decisions: relevant costs and irrelevant costs
- 1.6 Prepare income statements for a merchandising company using the traditional and contribution margin formats

### **2. Job-Order Costing: Calculating Unit Product Costs**

- 2.1 Compute and apply a predetermined overhead rate to jobs
- 2.2 Compute the total cost and the unit product cost of a job using plantwide and multiple departmental predetermined overhead rates
- 2.3 Understand the implications of basing the predetermined overhead rate on activity at capacity rather than on estimated activity for the period

### **3. Job-Order Costing: Cost Flows and External Reporting**

- 3.1 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs
- 3.2 Use T-accounts to show the flow of costs in a job-order costing system
- 3.3 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement
- 3.4 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts

### **4. Process Costing**

- 4.1 Record the flow of materials, labor, and overhead through a process costing system.
- 4.2 Compute the equivalent units of production using the weighted-average method
- 4.3 Compute the cost per equivalent unit using the weighted-average method
- 4.4 Assign costs to units using the weighted-average method
- 4.5 Prepare a cost reconciliation report
- 4.6 Allocate service department costs to operating departments using the direct method
- 4.7 Allocate service department costs to operating departments using the step-down method

### **5. Cost-Volume-Profit Relationships**

- 5.1 Explain how changes in sales volume affect contribution margin and net operating income
- 5.2 Prepare and interpret a cost-volume-profit (CVP) graph and a profit graph

- 5.3 Use the contribution margin ratio (CM ratio) to compute changes in contribution margin and net operating income resulting from changes in sales volume
- 5.4 Show the effects on contribution margin of changes in variable costs, fixed costs, selling price, and volume
- 5.5 Determine the level of sales needed to achieve a desired target profit
- 5.6 Determine the break-even point
- 5.7 Compute the margin of safety and explain its significance
- 5.8 Compute the degree of operating leverage at a particular level of sales and explain how it can be used to predict changes in net operating income
- 5.9 Compute the break-even point for a multiproduct company and explain the effects of shifts in the sales mix on contribution margin and the break-even point

## **6. Variable Costing and Segment Reporting: Tools for Management**

- 6.1 Explain how variable costing differs from absorption costing and compute unit product costs under each method
- 6.2 Prepare income statements using both variable and absorption costing
- 6.3 Reconcile variable costing and absorption costing net operating incomes and explain why the two amounts differ
- 6.4 Prepare a segmented income statement that differentiates traceable fixed costs from common fixed costs and use it to make decisions
- 6.5 Compute companywide and segment break-even points for a company with traceable fixed costs

## **7. Activity-Based Costing: A Tool to Aid Decision Making**

- 7.1 Understand activity-based costing and how it differs from a traditional costing system
- 7.2 Assign costs to cost pools using a first-stage allocation
- 7.3 Compute activity rates for cost pools
- 7.4 Assign costs to a cost object using a second-stage allocation
- 7.5 Use activity-based costing to compute product and customer margins

## **8. Master Budgeting**

- 8.1 Understand why organizations budget and the processes they use to create budgets
- 8.2 Prepare a sales budget, including a schedule of expected cash collections
- 8.3 Prepare a production budget
- 8.4 Prepare a direct materials budget, including a schedule of expected cash disbursements for purchases of materials
- 8.5 Prepare a direct labor budget
- 8.6 Prepare a manufacturing overhead budget
- 8.7 Prepare a selling and administrative expense budget
- 8.8 Prepare a cash budget
- 8.9 Prepare a budgeted income statement
- 8.10 Prepare a budgeted balance sheet

## **9. Flexible Budgets and Performance Analysis**

- 9.1 Prepare a planning budget and a flexible budget with one cost driver
- 9.2 Calculate and interpret activity variances
- 9.3 Calculate and interpret revenue and spending variances

- 9.4 Prepare a performance report with one cost driver that combines activity variances and revenue and spending variances
- 9.5 Prepare a planning budget and a flexible budget with more than one cost driver
- 9.6 Prepare a performance report with more than one cost driver that combines activity variances and revenue and spending variances

## **10. Standard Costs and Variances**

- 10.1 Compute the direct materials price and quantity variances and explain their significance
- 10.2 Compute the direct labor rate and efficiency variances and explain their significance
- 10.3 Compute the variable manufacturing overhead rate and efficiency variances and explain their significance
- 10.4 Compute and interpret the fixed overhead budget and volume variances

## **11. Responsibility Accounting Systems**

- 11.1 Compute return on investment (ROI) and show how changes in sales, expenses, and assets affect ROI
- 11.2 Compute residual income and understand its strengths and weaknesses
- 11.3 Determine the range, if any, within which a negotiated transfer price should fall
- 11.4 Charge operating departments for services provided by service departments

## **12. Differential Analysis: The Key to Decision Making**

- 12.1 Identify relevant and irrelevant costs and benefits in a decision
- 12.2 Prepare an analysis showing whether a product line or other business segment should be dropped or retained
- 12.3 Prepare a make or buy analysis
- 12.4 Prepare an analysis showing whether a special order should be accepted
- 12.5 Determine the most profitable use of a constrained resource and the value of obtaining more of the constrained resource
- 12.6 Determine the value of obtaining more of the constrained resource
- 12.7 Prepare an analysis showing whether joint products should be sold at the split-off point or processed further

## **13. Capital Budgeting Decisions**

- 13.1 Determine the payback period for an investment
- 13.2 Evaluate the acceptability of an investment project using the net present value method
- 13.3 Evaluate the acceptability of an investment project using the internal rate of return method
- 13.4 Evaluate an investment project that has uncertain cash flows
- 13.5 Rank investment projects in order of preference
- 13.6 Compute the simple rate of return for an investment
- 13.7 Understand present value concepts and the use of present value tables