

Managerial Accounting

Course Text

Wild, John J., and Ken W. Shaw. *Managerial Accounting*. 8th ed., McGraw Hill Education, 2022.

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Course Description

This course focuses on the identification, gathering, and interpretation of information for planning, controlling, and evaluating the performance of a business. This course studies the measurement of the costs of producing goods or services and how to analyze and control these costs.

This course analyzes managerial accounting principles and systems through both process and job order costing. Additional managerial accounting topics include the following: cost behavior, cost-volume-profit analysis, budgeting and standard cost systems, decentralized operations, and product pricing.

Course Outcomes

After completing this course, students will be able to:

- Compare and contrast between managerial accounting and financial accounting and assess how managerial accounting affects various management functions.
- Define cost and distinguish between product costs and period costs.
- Describe job-order costing system and evaluate its suitability in manufacturing and nonmanufacturing firms.
- Describe process costing and evaluate the suitability of process costing in manufacturing and nonmanufacturing firms.
- Compare and contrast traditional volume-based costing system and activity-based costing system.
- Interpret cost behavior patterns to estimate costs and assess the need for contribution approach to income statements.
- Graph CVP relationships and compute the break-even point using the contribution-margin and equation approach.
- Prepare and analyze an income statement using absorption costing and using variable costing.

- Describe the elements of a budgeting framework and assess the need for a budgeting framework in an organization.
- Describe the various ways to set performance standards and assess the role of performance standards in cost management.
- Describe the key decision areas in capital budgeting and explain the concept of time value of money.
- Describe the various ways to set performance standards and assess the role of performance standards in cost management.
- Explain the role of responsibility accounting in achieving set goals and list the responsibility centers.
- Describe allocation of joint costs across products.
- Determine the criteria that decide the relevance of a cost or a benefit and explain the concepts of sunk costs, opportunity costs, and unit costs.

Course Prerequisites

It is suggested, though not required, that students take Accounting I and Accounting II or its equivalent before enrolling in Managerial Accounting.

Important Terms

In this course, different terms are used to designate tasks:

- **Proctoring:** all final exams require proctoring which can be completed conveniently from your home. A webcam is required.
- **Tutoring:** memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
- **Practice Quiz:** Non-graded assignments from your text. These activities will assist you in practicing the skills discussed in a topic.
- **Exam:** A graded online test.

Academic Integrity Statement

Academic integrity is the pursuit of scholarly activity in an honest, truthful and responsible manner. Violations of academic integrity include, but are not limited to, plagiarism, cheating, fabrication and academic misconduct. Failure to comply with the Academic Integrity Policy can result in a failure and/or zero on the attempted assignment/examination, a removal from the course, disqualification to enroll in future courses, and/or revocation of an academic transcript.

Course Completion Policy

In order for a course to be considered complete, all required coursework must be attempted, submitted, and graded. Required coursework consists of graded assignments. Any Academic Integrity Policy violations may prevent a course from being considered complete.

Course Evaluation Criteria

Your score provides a percentage score and letter grade for each course. A passing percentage is **70%** or higher.

There are a total of 1000 points in the course:

Topic	Assessment	Points
3	Graded Exam #1	125
7	Graded Exam #2	125
7	Midterm Exam	200
11	Graded Exam #3	125
15	Graded Exam #4	125
16	Final Graded Exam	300
Total		1000

Course Topics and Objectives

Topics	Topic	Subtopics	Objectives
1	Managerial Accounting and the Business Environment	<ul style="list-style-type: none"> • What Is Managerial Accounting? • Managerial Accountants in an Organization • Ethics in Managerial Accounting • Changing Role of Managerial Accounting 	<ul style="list-style-type: none"> • Discuss ethical standards in an organization and assess their role in the field of managerial accounting. • Analyze how the changing business environment has led to innovations in managerial accounting. • Compare and contrast between managerial accounting and financial accounting and assess how managerial accounting affects various management functions. • Outline the roles and responsibilities of a managerial accountant and describe the fundamental tools and practices used in managerial accounting.
2	Concepts of Cost Management Accounting for Custom Operations	<ul style="list-style-type: none"> • Cost Concepts: An Overview • General Cost Classifications • Cost Classifications on Financial Statements • Cost Classifications for Different 	<ul style="list-style-type: none"> • Define cost and distinguish between product costs and period costs. • Analyze the fundamental manufacturing cost categories and diagram the flow of product costs in a manufacturing operation.

Topics	Topic	Subtopics	Objectives
		Purposes	<ul style="list-style-type: none"> Analyze the cost components on financial statements and prepare an income statement and a schedule of cost of goods manufactured for a manufacturer. Compare direct and indirect costs and distinguish between variable and fixed costs.
3	Product Costing and Cost Accumulation in the Production Environment	<ul style="list-style-type: none"> Product and Service Costing Flow of Costs in Manufacturing Firms Types of Product-Costing Systems Job-Order Cost Accumulation Overhead Application Extended Illustration of Job-Order Costing: Calculations and Journal Entries Financial Schedules Further Aspects of Overhead Application 	<ul style="list-style-type: none"> Discuss the role of product and service costing in manufacturing and nonmanufacturing firms. Diagram and explain the flow of costs through the manufacturing accounts used in product costing. Distinguish between job-order costing and process costing. Compute a predetermined overhead rate, and explain its use in job-order costing for job-shop and batch-production environments. Prepare journal entries to record the costs of direct material, direct labor, and manufacturing overhead in a job-order costing system. Prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold, and an income statement for a manufacturer. Describe the two-stage allocation process used to compute departmental overhead rates. Describe the process of project costing used in service industry firms and nonprofit organizations.
4	Product and Hybrid Product	<ul style="list-style-type: none"> Comparison of Job-Order Costing and Process Costing 	<ul style="list-style-type: none"> List and explain the similarities and important

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	Costing Systems	<ul style="list-style-type: none"> • Purpose of product-costing systems • Differences in manufacturing environments • Differences in cost accumulation • Similarities in cost flows • Equivalent Units in Process-Costing Systems • Stage of completion of the work-in-process ending inventory • Equivalent-unit calculations • Illustration of Reporting in a Process-Cost System • The departmental production report • Weighted-average method • Steps in preparing the departmental production report • Other Issues in Process Costing • Actual versus normal costing • Using a cost driver other than direct labor • A Hybrid Product-Costing System: Operation Costing for Batch Manufacturing 	<ul style="list-style-type: none"> • differences between job-order and process costing. • Prepare journal entries to record the flow of costs in a process-costing system with sequential production departments. • Prepare a table of equivalent units under weighted-average process costing. • Compute the cost per equivalent unit under the weighted-average method of process costing. • Analyze the total production costs for a department under the weighted-average method of process costing. • Prepare a departmental production report under weighted-average process costing. • Describe how an operation costing system accumulates and assigns the costs of direct-material and conversion activity in a batch manufacturing process.
5	Activity Based Costing and Management	<ul style="list-style-type: none"> • Traditional Cost Management • ABC Management • Activity-Based Costing and Traditional Costing • Activity-Based Costing: Key Issues 	<ul style="list-style-type: none"> • Describe traditional volume-based costing system and compute product costs under a traditional volume-based costing system. • Describe activity-based costing system and compute product costs under an activity-based costing system.

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			<ul style="list-style-type: none"> Analyze how cost drivers and data collection help in addressing issues such as need for a new costing system in activity-based costing.
6	Analysis of Activity, Cost Behavior and Cost Estimation	<ul style="list-style-type: none"> Cost Behavior Patterns Analyzing Mixed Costs Applying Cost Behavior 	<ul style="list-style-type: none"> Interpret cost behavior patterns using a scattergraph plot. Analyze a mixed cost using high-low method and least squares regression method. Estimate costs after studying cost behavior patterns. Assess the need for contribution approach to income statements and prepare an income statement using the contribution format.
7	Cost-Volume-Profit (CVP) Analysis	<ul style="list-style-type: none"> Approaches to CVP Analysis Cost-Volume-Profit (CVP) Relationship CVP Analysis and Cost Management CVP Analysis and Cost Structure 	<ul style="list-style-type: none"> Graph CVP relationships. Compute the break-even point using the contribution-margin and equation approach. Apply CVP analysis to demonstrate the effect of changes in variable cost, fixed cost, and sales volume on profit. Analyze the impact of cost structure on profit stability and compute the degree of operating leverage at a specific sales level.
8	Absorption and Variable Costing	<ul style="list-style-type: none"> Product Cost and Fixed Manufacturing Overhead Absorption-costing income statements Variable-costing income statements Reconciliation of Absorption- and Variable-Costing Income 	<ul style="list-style-type: none"> Explain the accounting treatment of fixed manufacturing overhead under absorption and variable costing. Prepare an income statement under absorption costing. Prepare an income statement under variable costing. Reconcile reported income under absorption and

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		<ul style="list-style-type: none"> • No change in inventory levels • Increase in inventory levels • Decrease in inventory levels • Overall Evaluation of Absorption and Variable Costing • Throughput Costing 	<ul style="list-style-type: none"> • variable costing. • Explain the implications of absorption and variable costing for cost-volume-profit analysis. • Evaluate absorption and variable costing. • Explain the rationale behind throughput costing. • Prepare an income statement under throughput costing.
9	Profit Planning and Activity-Based Budgeting	<ul style="list-style-type: none"> • Framework of Budgeting • Budgets as a Planning Tool • Preparing the Master Budget • Activity-Based Budgeting 	<ul style="list-style-type: none"> • Create a diagram showing the steps taken to create a budget and describe the different types of budgets. • Prepare different types of budgets and budget schedules for the master budget. • Demonstrate how activity-based budgeting operates using an example and assess the need for an activity-based budgeting system. • Describe the elements of a budgeting framework and assess the importance of budgeting in an organization.
10	Operational Performance Measures: Standard Costing and Balanced Scorecard	<ul style="list-style-type: none"> • Setting Performance Measures • Cost Variance Analysis • Using Standard Costs for Evaluation • The Balanced Scorecard 	<ul style="list-style-type: none"> • Describe the various ways to set performance standards and assess the role of performance standards in cost management. • Assess the significance of cost variances in setting standards. • Compute the material price and quantity variances and the labor rate and efficiency variances and prepare journal entries to record cost variances. • Analyze the role of a balanced scorecard in developing strategies.

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11	Flexible Budgeting: Managing Overhead and Support Activity Costs	<ul style="list-style-type: none"> Flexible Budgets: An Overview Overhead Variance Overhead Analysis Activity-Based Flexible Budgets 	<ul style="list-style-type: none"> Create a diagram showing the components of a flexible budget and assess the importance of flexible budgeting in an organization. Diagram variable overhead spending and efficiency variances using graphs and compute variable overhead variances. Interpret variable overhead variances and prepare an overhead cost performance report and a flexible overhead budget. Compare and contrast activity-based flexible budgeting and traditional flexible budgeting.
12	Responsibility Accounting: Quality and Environmental Cost Control	<ul style="list-style-type: none"> Responsibility Accounting: An Overview Segment Reporting Decentralization Segment Performance Evaluation 	<ul style="list-style-type: none"> Prepare performance reports for various responsibility centers and a segmented income statement. Define decentralization and discuss its advantages and disadvantages. Use the return on investment and residual income approaches to measure an investment center's performance. Explain how responsibility accounting can achieve set goals and list the responsibility centers.
13	Investment Centers and Transfer Pricing	<ul style="list-style-type: none"> Capital Budgeting Decisions: An Overview Screening Decisions: Net Present Value Method Screening Decisions: Internal Rate of Return Method Ranking Decisions Screening Decisions: Economic Value 	<ul style="list-style-type: none"> Describe the key decision areas in capital budgeting and explain the concept of time value of money. Explain the net present value method of making capital budgeting decisions and use it to evaluate an investment proposal for acceptability. Explain the internal rate of return method of making capital budgeting decisions

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		Added (EVA)	<p>and use it to evaluate an investment proposal for acceptability.</p> <ul style="list-style-type: none"> • Grade investment proposals using the profitability index.
14	Allocation of Support and Joint Costs	<ul style="list-style-type: none"> • Service Department Cost Allocation: A General Overview • Methods of Service Department Cost Allocation • Direct method • Step-down method • Reciprocal-services method (appendix) • Dual-Cost Allocation • Today's Advanced Manufacturing Environment • Joint Product Cost Allocation 	<ul style="list-style-type: none"> • Allocate service department costs using the direct method and the step-down method. • Use the dual approach to service department cost allocation. • Explain the difference between two-stage cost allocation with departmental overhead rates and activity-based costing (ABC). • Allocate joint costs among joint products using each of the following techniques: physical-units method, relative-sales-value method, and net-realizable-value method. • Describe the purposes for which joint cost allocation is useful and those for which it is not. • Allocate service department costs using the reciprocal-services method.
15	Decision Making: Relevant Costs and Benefits	<ul style="list-style-type: none"> • The Decision-Making Model • Identifying Relevant Costs and Benefits • Aspects of Decision Making • Activity-Based Costing and Relevant Costs 	<ul style="list-style-type: none"> • Determine the criteria that decide the relevance of a cost or a benefit and explain the concepts of sunk costs, opportunity costs, and unit costs. • Prepare analyses of various decision categories using relevant costs and benefits. • Assess the importance of activity-based costing in relevant-cost analysis. • Demonstrate the steps in the process of decision making using an example and distinguish between quantitative and qualitative analyses in decision making.

Topics	Topic	Subtopics	Objectives
16	Review	<ul style="list-style-type: none"> Review 	<ul style="list-style-type: none"> Complete a review of key content covered in this course.

[Back to Top](#)