

ACC 202 Introduction to Management Accounting (3)

Introduction to managerial accounting and methods used to report information to decision makers internal to the firm. Cost accounting, budgeting, standard cost systems, reporting and analyzing performance.

Pre: 201.

A minimum of at least C- or better is required.

Subjects:

- Comparison of financial accounting and managerial accounting in terms of purpose, users, and constraints
- Accounting for a manufacturing firm
 - Journal entries to record inventories
 - Comparison of manufacturing and merchandising income statement and balance sheet
- Cost classifications and behavior including
 - Variable, fixed, mixed and step costs
 - Direct and indirect costs
 - Product and period costs
 - Manufacturing and non-manufacturing costs
- Absorption costing vs variable costing income statements
- Cost-Volume-Profit analysis: achieving target net profit, sensitivity analysis
- Estimation of cost functions: engineering (mentioned briefly), account analysis, visual fit, high-low, least squares regression (understanding output of regression analysis)
- Cost allocation
 - Allocation of overhead using activity-based costing vs "traditional" method
 - Allocation of central service costs
 - Allocation of service department costs (direct and step-down method)
 - Allocation of joint product costs
- Short-term decision-making with emphasis on relevant costs
 - Accept or reject a special order
 - Add or drop a product or department
 - Optimal use of limited resource
 - Pricing
 - Make or buy
 - Sell or process further
 - Replacement of old equipment
- Budgeting: sales, purchase, overhead, cash receipts, cash disbursements, cash pro forma income statement, pro forma balance sheet
- Flexible budgets and variance analysis: direct materials, direct labor, variable overhead
- Management control systems and company goals: responsibility centers and segmented income statements, centralization vs decentralization

- Performance measures: return on investment (ROI), residual income (RI), non-financial measures
- Transfer pricing

After completing ACC 202/251, students will:

1. Understand the difference between financial and managerial accounting
2. Understand the definitions necessary to understand managerial accounting literature
3. Be able to compare job-order and process-costing systems
4. Know how to calculate the flow of costs through a company's accounting system using journal entries.
5. Understand the concept of allocation of overhead costs.
6. Understand the concept of activity-based costing and its uses in any type of organization.
7. Be able to calculate product costs in a job-order system
8. Be able to calculate product costs in a process-costing system.
9. Understand the nature of mixed costs
10. Be able to use the high-low method to calculate fixed and variable costs from mixed costs
11. Understand the use of cost-volume-analysis as a decision-making tool
12. Be able to calculate a break-even point for a firm
13. Understand the use of budgets for managerial planning and evaluation of performance
14. Be able to calculate variances for materials, labor, and overhead
15. Understand the use of flexible budgets
16. Understand how ROI and residual income are used to evaluate a manager's performance
17. Understand the concept of relevant costs when analyzing two or more alternatives