

DEREE COLLEGE SYLLABUS FOR:

AF 3215 COST ACCOUNTING – LEVEL 6

UK CREDITS: 15

Optional

(Updated Spring 2010)

PREREQUISITES: AF 2006 Financial Accounting
AF 3116 Managerial Accounting

CATALOG

DESCRIPTION: The course studies fundamentals of cost accounting theories within an industrial organization such as cost accumulation and product costing (job and process costing), including an analysis of spoilage, overhead, inventory valuation, income determination, joint products and by-products and the allocation of service department costs.

RATIONALE: Business students planning to work as financial or operating managers must be familiar with the methods and procedures of calculating and analyzing cost data. A knowledge and understanding of cost accounting will help them calculate business income, construct short-term and long-term plans, exercise control over management activities by comparing actual costs against estimated costs and make short-term decisions.

LEARNING OUTCOMES: As a result of taking this course, the student should be able to:

1. Demonstrate detailed knowledge of how and why costs are classified and allocated to products for inventory valuation and income determination.
2. Differentiate and apply accounting practices both for job order and process cost systems.
3. Prepare cost production reports, which include lost units, normal and abnormal for the manufacturing process.
4. Describe and implement methods of distributing service department costs to production departments.
5. Differentiate and apply the accounting procedures for joint products and by-products.

**METHOD OF
TEACHING AND
LEARNING:**

In congruence with the learning and teaching strategy of the college, the following tools are used:

- Class lectures, interactive learning and practical problems solved in class.
- Exercises and primary source documents are assigned as homework, the solutions of which are either reviewed in class or returned to the student corrected.
- Office hours: students are encouraged to make full use of the office hours of their instructor, where they can ask questions, see their exam paper, and/or go over lecture material.
- Use of blackboard site, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

ASSESSMENT: The student's grade will be based on the following:

Exercises/Cases - formative	0	Handouts of exercises/assignments
In-class 1-hour midterm examination - summative	40	Problems & Discussion Questions combination
Final examination (2-hour, comprehensive) - summative	60	Problems & Discussion Questions combination

The formative coursework enables the student to achieve an appropriate balance between the theoretical (conceptual) and applied aspects of the subject, and prepare for the examinations.

The midterm examination tests learning outcomes 1, and 2.

The final examination tests learning outcomes 1, 2, 3, 4 and 5.

**INDICATIVE
READING:**

REQUIRED MATERIAL:

- Charles T. Horngren, Srikant M. Datar, George Foster and Madhav Rajan Cost Accounting – A Managerial Emphasis. Pearson Education 13/e.
- Carter, W. K. and M. F. Usry. Cost Accounting. Dame-Thomson Learning, Cincinnati, Ohio, latest edition.

Recommended Reading:

- Raiborn, K., (2009) Cost Accounting: Foundations and Evolutions. Thomson Learning.
- Khan, M., Y. and Jain, P., K. (2008) Cost Accounting and Financial Management. McGraw-Hill

Relevant Academic and Professional Journals include:

- The European Accounting Review
- Journal of Management Accounting Research
- Management Accounting
- Management Accounting Quarterly
- Accounting and Business Research

Indicative Articles:

- Brierley, J., A. (2010) The determinants of Sophistication in Product Costing Systems: An Interview Study. International Journal of Management, Vol. 27(2), pp.218-225.
- Brierley, J., A., Cowton, C., J. and Drury, C. (2001) Research into product costing practice: a European perspective. The European Accounting Review, 10(2), 215-256.
- Drury, C. and Tayles, M. (1994) Product costing in UK manufacturing organizations. The European Accounting Review, 3(3), 443-69.

These resources are just to be considered as a starting point. Many other Journals contain relevant articles and students will find easy access to material through library databases.

**SOFTWARE
REQUIREMENTS:**

Ms. Excel, Ms. Word

WWW RESOURCES:

- www.imanet.org
- www.strategicfinancemag.com
- www.cimaglobal.com

- INDICATIVE CONTENT:**
1. Cost concepts and terminology
 - 1.1. The nature of costs
 - 1.2. Period costs and product costs
 - 1.3. Categories of inventory
 - 1.4. Costs of goods manufactured and sold
 - 1.5. Income Statement and Schedule of Cost of Goods Manufactured
 2. Cost allocation concepts
 - 2.1. Cost allocation methods
 - 2.2. Allocation of manufacturing overheads
 3. Job costing
 - 3.1. Accumulating costs for jobs
 - 3.2. Completion of operating cycle
 - 3.3. Use of predetermined overhead rates
 4. Process costing
 - 4.1. Equivalent unit concept
 - 4.2. Methods of allocating process costs using average costing and FIFO costing methods
 - 4.3. Spoilage (normal - abnormal), scrap materials and defective work
 5. Inventory valuation
 - 5.1. Absorption versus Variable Costing
 6. Allocating service department costs
 - 6.1. Nature of service departments
 - 6.2. Methods of allocations
 7. Joint costs
 - 7.1. Joint cost allocation methods
 - 7.2. Inventory valuation