



Khwaja Fareed University of Engineering & Information Technology, RYK

Institute of Business Administration

Course Outline

Course	Managerial Accounting
Course Code	MSCI-3107
Credit Hours	3

Course Description

The aim of this course is to equip students with the managerial accounting concepts and techniques used for sound business decision-making. Modules offered include basic cost accounting concepts, their nature and behavior, cost-volume-profit relationships, absorption and variable costing, relevant costs & differential analysis, standard costing and variance analysis, gross profit analysis and capital budgeting decisions.

Course Objectives and outcomes

1. To explain differences between the financial and managerial accounting.
2. To explain the role of ethics in managerial accounting.
3. To develop an understanding on how the term cost is used many different in many different ways.
4. To develop the ability to calculate cost under job order and process cost accounting system and understand document and cost flow.
5. To develop the ability to predict how will cost respond to changes in activities, and conduct cost-volume-profit analyses.
6. To develop an understanding of differences between variable and absorption costing and ability to prepare income statement on different basis.
7. To develop an understanding of different types of budgets and ability to prepare static and flexible budgets
8. To develop the ability to understand standard costing and to perform standard cost variances including overhead variances and interpret the results.
9. To develop the ability to identify relevant cost and benefits for making decision.
10. To develop an understanding of different techniques used to evaluate capital expenditures.

Course pre-requisites

- Principles of Accounting
- Principles of Accounting II/Financial Accounting

Course Plan and Chapter-wise Objectives:			
<u>Sessions</u>	<u>Chapter</u>	<u>Learning Outcome – at the end of each session/chapter students should be able to</u>	<u>Assignment</u>
1	Course Introduction	Understand the course outline	
2	Chapter 1 & 2 Managerial Accounting Introduction	1. Understand the role of management accountants in an organization. 2. Identify major differences and similarities between financial and managerial accounting. 3. Understand the importance of upholding ethical standards.	To be advised at the end of each chapter.
3-5	Chapter 2 Cost Concepts Chapter 5 Cost Behaviour: Analyses and Uses	1. Identify and give examples of each of the three basic manufacturing cost categories. 2. Distinguish between product costs and period costs and give examples of each. 3. Understand cost behavior patterns including variable cost, fixed costs and mixed costs. 4. Analyze a mixed cost using scatter graph plot, high low method and least square regression method. 5. Prepare income statement using the contribution format. 6. Understand the difference between direct or Indirect costs 7. Understand the cost classifications used in making decisions: differential cost, and opportunity cost and Sunk cost)	To be advised at the end of each chapter.
QUIZ # 1 (TENTATIVELY IN 7TH SESSION)			
6-8	Chapter 3 Systems design – Job Order Costing	1. Compute predetermined overhead rates. 2. Apply overhead cost to jobs using predetermined overhead rate. 3. Compute total cost and average cost per unit of a job. 4. Understand the flow of cost in a job order costing system and prepare appropriate journal entries to record costs. 5. Use t-accounts to show the flow of costs in a job order costing system. 6. Prepare schedule of cost of goods manufactured, cost of goods sold and income statement. 7. Compute under applied or over applied overhead cost and prepare journal entries	To be advised at the end of each chapter.

Course Plan and Chapter-wise Objectives:			
Sessions	Chapter	Learning Outcome – at the end of each session/chapter students should be able to	Assignment
		to close the balance in manufacturing overhead to the appropriate accounts.	
9-10	Chapter 4 Systems Design – Process Costing	1. Record the flow of materials, direct labor and overhead through process costing system. 2. Compute equivalent units of production using weighted average and FIFO methods. 3. Compute per unit cost using weighted average and FIFO methods. 4. Assign cost to units using weighted average and FIFO methods. 5. Prepare cost reconciliation reports under weighted average and FIFO methods.. 6. Allocate service department costs to operating departments using direct and step down methods.	To be advised at the end of each chapter.
QUIZ # 2 (TENTATIVELY IN 12TH SESSION)			
11-13	Chapter 6 Cost-Volume-Profit (CVP) Relationship	1. Explain how changes in activity affect contribution margin and net operating income. 2. Prepare and interpret a CVP graph and profit graph. 3. Use contribution margin ratio (CM ratio) to compute changes in contribution margin and net operating income resulting from changes in sales volume. 4. Show the effects on net operating income of changes in variable costs, fixed costs, selling prices and volume. 5. Determine the level of sales needed to achieve a desired target profit. 6. Determine break-even point. 7. Compute margin of safety and explain its significance. 8. Compute the degree of operating leverage of a particular level of sales and explain how it can be used to predict changes in net operating income. 9. Compute the break-even for a multiproduct company and explain the effects of shifts in the sales mix on contribution margin and the break-even point.	To be advised at the end of each chapter.

Course Plan and Chapter-wise Objectives:			
Sessions	Chapter	Learning Outcome – at the end of each session/chapter students should be able to	Assignment
14-15	Chapter 7 Variable Costing	1. Explain how variable costing differs from absorption costing and compute unit product cost under each method. 2. Prepare income statements using both variable and absorption costing. 3. Reconcile variable and absorption costing net operating incomes and explain why the two amounts differ.	To be advised at the end of each chapter.
MIDTERM EXAMINATION			
16-18	Chapter 9 Profit Planning	1. Understand why organizations budget and the processes they use to create budgets. 2. Prepare a sales budget including a schedule of expected cash collections. 3. Prepare a production budget. 4. Prepare a direct materials budget including a schedule of expected cash disbursements for purchases of materials 5. Prepare a direct labor budget. 6. Prepare a manufacturing overheads budget. 7. Prepare a selling & administrative expenses budget 8. Prepare a cash budget. 9. Prepare a budgeted income statement 10. Prepare a budgeted balance sheet.	To be advised at the end of each chapter.
QUIZ # 3 (TENTATIVELY IN 20TH SESSION)			
19-21	Chapter 10 Flexible Budgets and Performance Analysis	1. Prepare flexible budget. 2. Prepare a report showing activity variances. 3. Prepare a report showing revenue and spending variances. 4. Prepare a performance report that combine activity variances and revenue and spending variances. 5. Prepare a flexible budget with more than one cost drivers. 6. Understand common errors made in preparing performance reports based on budgets and actuals.	To be advised at the end of each chapter.
22-23	Chapter 11 Standard Cost and Operating	1. Compute direct material (price and quantity) variances and explain their significance.	To be advised at the end of

Course Plan and Chapter-wise Objectives:			
<u>Sessions</u>	<u>Chapter</u>	<u>Learning Outcome – at the end of each session/chapter students should be able to</u>	<u>Assignment</u>
	Performance Measures	2. Compute direct labor (rate and efficiency) variances and explain their significance. 3. Compute variable overhead (rate and efficiency) variances and explain their significance. 4. Compute and interpret fixed overhead (budget and volume) variances. 5. Prepare journal entries to record standard cost and variances.	each chapter.
QUIZ # 4 (TENTATIVELY IN 25RD SESSION)			
24-26	Chapter 13 Relevant Costs for Decision Making (Differential Analysis)	1. Identify relevant and irrelevant cost and benefits in a decision. 2. Prepare an analysis showing whether a product line and other segment should be dropped or added. 3. Prepare a make or buy analysis. 4. Prepare an analysis showing whether a special order should be accepted. 5. Determine the most profitable use of a constrained resource 6. Determine the value of obtaining more of constrained resources. 7. Prepare an analysis showing whether joint products should be sold at the split-off point or processed further.	To be advised at the end of each chapter.
27-28	14 Capital Budgeting Decisions	1. Evaluate the acceptability of an investment project using the net present value method. 2. Evaluate the acceptability of an investment project using the internal rate of return method. 3. Evaluate an investment project that has uncertain cash flows. 4. Rank investment projects in order of preference. 5. Determine the payback period for an investment. 6. Compute the simple rate of return for an investment. 7. Include income taxes in a capital budgeting analysis..	To be advised at the end of each chapter.

Text book and course reading material etc.
<u>Main text book:</u> Managerial Accounting 13 th edition Garrison Noreen Brewer ☐ Not all sections in a chapter will be covered: only relevant portions will be dealt with. ☐ Additional slides/handouts/information if any will also be shared in the class, as appropriate. ☐ The emphasis of the course is on understanding the concepts and applying them in business decision making - not on learning by rote. ☐ Cases and Readings will be uploaded on LMS prior to class ☐ Slides will be uploaded on LMS after class. ☐ The course outline given previously is indicative only. This may change depending on guest lectures, in-class activities, videos, new cases, role plays, simulations, field trips, etc.
<u>Link to students companion web site for practicing self study quizzes</u> Managerial Accounting 15e (GBN) http://highered.mheducation.com/sites/007802563x/student_view0/chapter1/index.html Managerial Accounting 3e (Kieso) http://bcs.wiley.com/he-bcs/Books?action=chapter&bcsId=2165&itemId=0471661783&chapterId=15016
<u>Reference Text:</u> Managerial Accounting 4 th edition James Jiambalvo