

# Minnesota State University Moorhead

## ACCT 231: Principles of Accounting II

### A. COURSE DESCRIPTION

Credits: 3

Lecture Hours/Week: 3

Lab Hours/Week: 0

OJT Hours/Week: \*.\*

Prerequisites:

This course requires the following prerequisite

ACCT 230 - Principles of Accounting I

Corequisites: None

MnTC Goals: None

An introduction to the content and concepts of financial information for management's use in directing operations. Topics include cost behavior, product costing, actual and standard costs, cost-volume-profit analysis, relevant costs, operational and capital budgeting, and present value analysis.

**B. COURSE EFFECTIVE DATES:** 06/01/1995 - Present

## C. OUTLINE OF MAJOR CONTENT AREAS

1. Managerial accounting overview, including differences between financial accounting and managerial accounting, relevance of managerial accounting to various careers, CMA, skills managers need, and importance of ethics.
2. Managerial accounting concepts, including introduction to general cost classifications (manufacturing versus non-manufacturing, product versus period, fixed versus variable versus mixed, direct versus indirect, differential, opportunity, and sunk costs), analysis of mixed costs (using scatter-graph and high-low methods), and preparation and analysis of traditional and contribution margin income statements.
3. Introduction to job-order costing, including job-cost sheets and flow of costs in job-order costing systems, computation and analysis of predetermined overhead rates, applying overhead, disposition of under-applied or over-applied overhead, preparation of cost of goods sold and cost of goods manufactured schedules, and computation of unit costs.
4. Overview of process costing, including comparison to job-order costing, flow of costs in process costing systems, computing departmental overhead rates and contrasting departmental rates with plant-wide rates.
5. Cost-volume-profit basics, including calculation of contribution margin and contribution margin ratio, consideration of CVP relationships in equation and graphic forms, break-even and target profit analysis, and assumptions of CVP analysis (including sales mix).
6. Overview of variable costing, including reconciliation between variable and absorption costing, and preparation and analysis of segmented income statements (including segment margin, traceable fixed costs, and common costs).
7. Activity-based costing concepts, including defining activities, assigning overhead costs to activity cost pools, assigning costs in activity cost pools to cost objects, computation of product margins, and comparison of product margins using ABC to product margins using other allocation methods, and computation of customer margins.
8. Basics of budgeting, including advantages, consideration of human factors in budgeting, process of preparing the master budget, and budget versus actual analysis.
9. Introduction to flexible budgets, including preparation and analysis of activity and revenue/spending variances, and preparation of flexible budgets with multiple cost drivers.
10. Introduction to standard costs and variance analysis, including development of standards, and calculation and interpretation of material quantity variances, material price variances, labor efficiency variances, labor rate variances, and variable overhead variances, and introduction to management by exception.
11. Advantages and disadvantages of decentralization, accounting for decentralized management responsibility centers, evaluation of investment center performance using return on investment (including DuPont formula) and residual income, and overview of other operating performance measures.
12. Identification of relevant benefits and costs, overview of total and differential approaches, application of relevant costing to add/drop product line/segment decisions, make or buy decisions, special order decisions, and sell or process further decisions, and managing constrained resources.
13. Basics of capital budgeting decisions, including time value of money approaches (net present value and internal rate of return methods), and non-time value of money approaches (payback and accounting rate of return methods), and ranking of investment projects.
14. Financial statement analysis, including vertical and horizontal analysis, ratio analysis (ratios used by common stockholders, short-term creditors and long-term creditors).

#### **D. LEARNING OUTCOMES (General)**

1. Compare and contrast financial accounting and managerial accounting, explain how managerial accounting information can be relevant to different careers, describe a CMA, identify skills a manager needs to succeed, and defend why ethics are important.
2. Categorize costs as direct (versus indirect), manufacturing (versus non-manufacturing), product (versus period), fixed (versus variable versus mixed), differential, opportunity, and/or sunk, create and explain traditional and contribution format income statements.
3. Compare and contrast job-order costing and process costing, illustrate the flow of costs in job-order and process costing systems, select and evaluate a driver in a pre-determined plant-wide, departmental, or activity-based overhead rate calculation, compile a job-cost sheet that includes an application of overhead, explain how to dispose of under-applied or over-applied overhead, compile cost of goods sold and cost of goods manufactured schedules, and relate total costs to cost per unit.
4. Generate a cost formula for a mixed cost using the scatter-graph and high-low methods, describe how changes in activity, variable costs, fixed costs, and selling price will impact contribution margin and net operating income, evaluate a cost-volume-profit graph, relate contribution margin ratio to contribution margin and net operating income, reconstruct contribution format income statements at break-even and/or target profit levels, explain significance of margin of safety and degree of operating leverage, and criticize the assumptions of CVP analysis (including sales mix).
5. Differentiate and reconcile between variable and absorption costing, defend why variable costing should be used in decision-making, contrast a traditional income statement with a segmented income statement, explain significance of segment margin, traceable fixed costs, and common costs, and identify common errors made in preparing segmented income statements.
6. Design and evaluate an activity-based costing system, contrast product margin in an ABC costing system with product margin in systems using other allocation methods, and compute and analyze product and customer margins using an ABC costing system.
7. Explain budgeting and responsibility accounting, identify human factors in budgeting, construct a master budget, and interpret budget versus actual variances.
8. Create and interpret a flexible budget performance report (whether single or multiple-cost drivers) with activity, revenue and spending variances, complete a variance analysis cycle, explain management by exception and common errors made in preparing flexible budget performance reports.
9. Create a standard cost card, compute and explain possible reasons for material price, material quantity, labor rate, labor efficiency, variable overhead rate, and variable overhead efficiency variances.
10. Defend and criticize decentralization, identify different types of decentralized management responsibility centers and suggest how each could be evaluated, compare and contrast return on investment (including DuPont formula) and residual income approaches to evaluating investment centers, summarize other operating performance measures, and explain how to construct and use a Balanced Scorecard.
11. Identify relevant benefits and costs, illustrate total and differential approaches to decision analysis, evaluate add/drop product line/segment, make or buy, special order, sell or process further, and constrained resource decisions using relevant costing.
12. Explain differences between payback, net present value, internal rate of return, and accounting rate of return methods used to make capital budgeting decisions, make and justify capital budget decisions, and rank competing projects in order of preference.
13. Prepare and interpret horizontal and vertical analysis, critique financial statements using ratios (differentiating ratios used in liquidity, asset management, debt management, profitability, and market performance analysis).

#### **E. Minnesota Transfer Curriculum Goal Area(s) and Competencies**

None

**F. LEARNER OUTCOMES ASSESSMENT**

As noted on course syllabus

**G. SPECIAL INFORMATION**

None noted