

Academic year: 2013/2014

## **Cost Accounting**

Course number: 102374

ECTS: 6

### **Contact**

Coordinator: Dr. John Slof

E-mail: EricJohn.Slof@uab.cat

### **Language**

English

### **Prerequisites**

Before taking this course, it is recommended to have followed the courses "102366 - Introduction to Accounting" and "102376 - Financial Statement Analysis".

### **Objectives, competences and learning outcomes**

- Provide basic understanding of the economic and financial context of cost accounting and management accounting, and to introduce students to its basic terminology and purposes.
- Help students discover and learn to use the relationship between costs, activity level and profit of a business.
- Describe the logic of cost accumulation for inventory valuation and profit measurement.
- Introduce students to the absorption and contribution approaches to income statement preparation.
- Make students aware of the conceptual intricacy of indirect costs and familiarize them with the main methods used in practice to allocate these costs to cost objects.

### **Course content**

Topic 1. ORGANIZATIONS, MANAGEMENT AND ACCOUNTING

1.1. Organizations, managers and accounting

1.2. The role of accounting and accountants in organizations

1.3. Differences between financial accounting and management accounting

Topic 2. COSTS: CONCEPTS, TERMINOLOGY AND CLASSIFICATIONS

2.1. The concept of cost in accounting and economics

2.2. Difference between costs and expenses

2.3. Costs in service, merchandising and manufacturing companies

2.4. Costs for valuation purposes

2.5. Costs for decision making purposes

2.6. Costs for planning, control and evaluation purposes

2.7. Implications for the accounting information system

Topic 3. COST-VOLUME-PROFIT ANALYSIS

3.1. Costs of an organization's inputs and output

3.2. Cost and revenue drivers; causality; cost hierarchies

3.3. Break-even point and safety margin

- 3.4. Cost structures and operating leverage
- 3.5. Cost management

#### Topic 4. INCOME EFFECTS OF ALTERNATIVE COSTING METHODS

- 4.1. Variable Costing
- 4.2. Absorption Costing
- 4.3. Alternative denominator concepts; the costs of unused capacity
- 4.4. Reconciliation of results obtained with variable and absorption costing
- 4.5. Implications for the accounting information system

#### Topic 5. COSTING OF PRODUCTS AND SERVICES

- 5.1. Average costs vs. individualized costs
- 5.2. Job costing systems
- 5.3. Indirect cost pools and cost allocation
- 5.4. Cost accumulation; actual costs and budgeted costs
- 5.5. Activity Based Costing (ABC)
- 5.6. Process costing systems; equivalent units
- 5.7. Hybrid costing systems
- 5.8. Implications for the accounting information system

#### Topic 6. COST ALLOCATION I

- 6.2. Allocating costs from one department to another
- 6.3. Allocating costs from support departments
- 6.4. Mutual services of support departments
- 6.5 Implications for the accounting information system

#### Topic 7. COST ALLOCATION II

- 7.1. Common cost allocation
- 7.2. Joint-cost situations

### Teaching methodology

In this course theoretical presentations by the instructor will be combined with the discussion of cases and readings and the solution of practical exercises. On a regular basis students will be assigned readings and problems, and they are expected to prepare these in advance of or during class sessions, as instructed.

### Learning activities

Class sessions (theory):	30 hours	(1,2 ECTS)
Class sessions (practice):	15 hours	(0,6 ECTS)
Tutoring:	7,5 hours	(0,3 ECTS)
Self study:	90 hours	(3,6 ECTS)
Evaluation:	<u>7,5 hours</u>	<u>(0,3 ECTS)</u>
TOTAL	150 hours	(6 ECTS)

### Assessment criteria

Evaluation of this course will be carried out on a continuous basis. In particular, there will be three partial exams (weighing each 25% in the final grade) and every week exercises will be collected (25% weight).

- The partial exams comprise about 25 questions, which can be theoretically orientated (conceptual questions) or have a more practical nature (calculation problems). Some of the exam questions will provide multi-choice answers and others will be open ended.
- The exercises will be collected by the instructors during the course, typically during the practical class sessions. If an exercise is assigned to be solved in class, it will only be collected during that particular class session; therefore these exercises cannot be handed in before or after the session, nor can they be handed in on behalf of the student by a third person.

The overall grade for the course is obtained by averaging the grades obtained in the partial exams and the exercises collected. This average will only be calculated for students who

- have obtained a score of 4 or higher on each of the three partial exams, AND
- have handed in at least 75% of the assigned exercises.

If a student has obtained a score lower than 4 on, at most, one of the three partial exams, he or she will be allowed to repeat that particular test.

Also students, who after averaging the four grade components obtain a final grade between 4 and 5, will be offered a reevaluation, consisting of the repetition of one of the three partial exams. The result of this reevaluation will be qualitative: *Pass* or *Fail*. If the result is *Pass*, the overall numerical grade for the course will be a 5; if the result is *Fail*, the overall numerical grade for the course will be the score that had been obtained before the reevaluation.

In case a student does not fulfill the two criteria for averaging specified above, he or she does not pass the course, and will be given as overall numerical grade the lower of 4 or the average of the available scores for the different grade components.

A student, who has taken part in more than one of the partial exams, will be considered as taking the course, and therefore will be given a numerical grade as described above. However, students taking part in only one or none of these tests will be considered as “not presented”.

### Assessment activities

- three partial exams (25% each)
- exercises (25%).

## Bibliography

### Required textbook

- Bhimani A, Horngren CT, Datar SM and Rajan M. Management and Cost Accounting, 5/E. Financial Times Press 2012. ISBN-13: 978-0-273-75745-0

Also available as CourseSmart eTextbook:

(<http://www.coursesmart.co.uk/9781447916604>).

### Optional additional readings

In English:

- Atkinson AA, Banker RD, Kaplan RS and Young, SM. Management Accounting. Prentice-Hall.
- Anthony RN, Hawkins DF and Merchant KA. Accounting: Text and cases. McGraw-Hill.
- Drury, C. Management and Cost Accounting. Thomson Learning.
- Drury, C. Management Accounting for Business Decisions. Thomson Learning.
- Hilton, RW. Managerial Accounting. McGraw Hill.

In Spanish:

- Asociación española de contabilidad y administración de empresas. La contabilidad de gestión. Serie de principios de contabilidad de gestión. AECA.
  - Mallo C, Jiménez MA. Contabilidad de Costes. Pirámide.
  - Nicolàs P. Costes para la dirección de empresas. Servei de publicacions UAB.
  - Rosanas JM. Contabilidad de costes para la toma de decisiones. Desclée de Brouwer Editorial.
-