

ACC 226
ADVANCED MANAGERIAL ACCOUNTING

COURSE DESCRIPTION:

Prerequisites: ACC 121 and ACC 225

Corequisites: None

This course is designed to develop an appreciation for the uses of cost information in the administration and control of business organizations. Emphasis is on how accounting data can be interpreted and used by management in planning and controlling business activities. Upon completion, students should be able to analyze and interpret cost information and present this information in a form that is usable by management. Accounting computer problems involving preparation and completion of spreadsheets are integrated throughout the course. Course Hours Per Week: Class, 3. Semester Hours Credit, 3.

LEARNING OUTCOMES:

Upon completion of this course, the student will be able to:

- I. Communicate effectively
 1. Use current accounting terminology
- II. Use quantitative and qualitative tools and methods
 1. Obtain information for capital expenditure proposals and perform a lease versus buy analysis
 - a) Determine which costs are relevant in the decision making process
 - b) Utilize the concepts of present value, rate of return and tax effects in making investment/expenditure decisions
 2. Prepare spreadsheet models to analyze data
- III. Account for specific industries and organizational structures
 1. Account for manufacturing firms
 2. Understand the accounting for merchandising, service and professional organizations
 3. Apply budgeting concepts to various organizations and industries and prepare pertinent budgets and reports
 - a) Understand profit planning and how the master budget and/or flexible budgets affect and are affected by such planning
 4. Compute and interpret variances from budgets and standards
 - a) Perform overhead analysis
 5. Provide information regarding the interrelationships between financial and nonfinancial information
 - a) Understand how organizational structure, management philosophy, and customer base affect financial information

OUTLINE OF INSTRUCTION:

- I. Profit planning
 - A. Budgeting framework
 - B. Master budget preparation
 - 1) Sales
 - 2) Production

- 3) Merchandise purchases
- 4) Direct materials
- 5) Direct labor
- 6) Manufacturing overhead
- 7) Ending finished goods
- 8) Selling and administrative expenses
- 9) Cash
- 10) Budgeted income statement and balance sheet

II. Flexible budgets and overhead analysis

- A. Flexible budgets
 - 1) Characteristics
 - 2) Compared to static budget
 - 3) Activity measures
 - 4) Flexible budgets and fixed costs
 - 5) Flexible budgets and activity-based costing
- B. Overhead performance report
- C. Overhead rates and fixed overhead analysis
 - 1) Fixed overhead variances
 - 2) Budget variance
 - 3) Volume variance
 - 4) Under- or over applied overhead cost
- D. Income statement presentation of variances

III. Segment reporting, profitability analysis, and decentralization

- A. Cost assignment problems
- B. Segment reporting and profitability analysis
 - 1) Segment levels
 - 2) Assigning costs to segments
 - 3) Traceable and common costs
 - 4) Segment margin
- C. Customer profitability analysis
- D. Responsibility accounting
- E. Measuring managerial performance
 - 1) Return on investment
 - (a) Controlling the rate of return
 - 2) Residual income
- F. Transfer pricing

IV. Relevant costs for decision making

- A. Cost concepts for decision making
- B. Sunk costs are irrelevant
- C. Differential cost analysis
- D. Adding and/or dropping segments or products
- E. Make or buy
- F. Special orders
- G. Scarce resource utilization
- H. Joint product costs
- I. Activity-based costing and relevant costs

- V. Capital budgeting decisions
 - A. Capital budgeting - an investment concept
 - B. The concept of present value
 - C. Net present value method
 - 1) A cash flow focus
 - 2) Total-cost approach
 - 3) Incremental-cost approach
 - 4) Least-cost decisions
 - D. Internal rate of return method
 - E. Investments in automation
 - F. Other approaches
 - 1) Payback method
 - 2) Simple rate of return method
- VI. Further aspects of investment decisions
 - A. Income taxes
 - 1) After-tax cost
 - 2) Depreciation tax shield
 - 3) Total-cost approach
 - B. Preference decisions
- VII. Service department costing - an activity approach
 - A. Guidelines for cost allocation
 - B. Implementing the guidelines
- VIII. Financial statement analysis
 - A. Limitations
 - B. Comparative and common-size statements
 - C. Ratio analysis
- IX. Pricing products and services
 - A. Cost-plus pricing
 - 1) Absorption approach
 - 2) Contribution approach
 - B. The markup percentage
 - C. Target costing
 - D. Time and material pricing for service companies

REQUIRED TEXTBOOKS AND MATERIAL:

See Durham Tech web site.

STATEMENT FOR STUDENTS WITH DISABILITIES:

Students who require academic accommodations due to any physical, psychological, or learning disability are encouraged to request assistance from a disability services counselor within the first two weeks of class. Likewise, students who potentially require emergency medical attention due to any chronic health condition are encouraged to disclose this information to a disability services counselor within the first two weeks of class. Counselors can be contacted by calling 536-7207, ext. 1413 or by visiting the Student Development Office in the Phail Wynn Jr. Student Services Center, room 1309.