

✓ J

SAULT COLLEGE
of Applied Arts and Technology
Sault Ste. Marie

COURSE OUTLINE

BUDGET & COSTING ACCOUNTING II

ACC 205-5

revised January 1980 _____

BUDGETING & COST ACCOUNTING II
ACC 205-5

TEST: Cost Accounting - A Managerial Emphasis by Horngren

AIMS & OBJECTIVES:

To build upon the first course in Cost Accounting so the Students may solve non-routine problems for control and long-range plans, make decisions on inventory quantities and be familiar with alternate methods of income determination.

PRE-REQUISITE:

1. The students will read the assigned chapter.
2. The lesson will be presented using as much audio-visual material as is useful.
3. Problems will be assigned.
4. Case studies dealing with assigned material will supplement the lesson.

METHOD OF EVALUATION:

There will be assignments to accompany each unit. A letter grade from "A" to "C" or "I" will be assessed.

4 tests will be written with each one accounting for triple the assignment weight.

A practice set based on process costing is to be completed.

Assignments (4)	14%
Tests (4)	36%
Practice Set(I)	10%
Final Test	<u>40%</u>

100%

Grading will be based on the following criteria

80 and over A
55 to 69 C

70 to 79 B
below 55 I

BUDGETING & COST ACCOUNTING
ACC 205-5

General Objectives

<u>UNIT</u>	<u>Topic and Objectives</u>
I	<u>Process Costing</u> (a) to understand when process costing is used and to be able to calculate unit costs through the use of equivalent finished units. (b) to realize that waste, spoilage and scraps are normal costs of many production processes and to be able to allocate their costs to the finished product.
2	<u>Joint Costs, By-Product Accounting and Inventory Control</u> (a) to understand how under certain processes there emerges joint and by-products and how they should be accounted for. (b) to analyze the relevant costs involved in inventory maintenance and to study the various systems of inventory control.
3	<u>Cost Allocation and Payroll Costing</u> (a) to be familiar with the criteria upon which cost allocation may be based and to examine the contribution approach to cost allocation. (b) to examine the major problem of payroll: (I) the allocation of labour costs (2) the computation of new earnings and (3) the computation of employer payroll taxes.
4	<u>Capital Budgeting</u> (a) to gain an understanding of project evaluation and capital expenditure as justified by using the internal rate of return, the discounted cash flow and the net present value methods. (b) to examine ranking techniques for multiple decision alternatives, keeping in mind the importance that depreciation methods and the related income tax effects have on the final decision.

Budgeting & Cost Accounting
Acc 205-5

Table of Contents

<u>Week(s)</u>	<u>Unit</u>	<u>Topic</u>
1 to 4	1	<u>Process Costing</u> <ul style="list-style-type: none">- process vs. job costing- characteristics of process costing- calculation of equivalent units- calculation of unit costs under<ul style="list-style-type: none">(a) weighted average(b) first-in, first-out(c) standard cost- journal entries for interdepartmental transfers- treatment of normal and abnormal spoilage- methods for determining normal spoilage- accounting treatment for spoilage TEST
5 to 7	2	<u>Joint Costs, By-Product Accounting, and Inventory Control</u> <ul style="list-style-type: none">- assigning joint costs to products on<ul style="list-style-type: none">(a) physical units basis(b) relative sale value basis- accounting for costs beyond split-off- incremental cost approach to deciding whether to process a product further- accounting for by-products using the net revenue method- accounting for by-products using the net realization value method- inventory valuation of by-products- costs involved in inventory decisions- order quantity formula- determination of safety stocks- the ABC method of inventory control- the mechanics of an inventory system

Cont'd Table of Contents

<u>Week(s)</u>	<u>Unit</u>	<u>Topic</u>
8 to 10	3	<u>Cost Allocation and Payroll Costing</u> <ul style="list-style-type: none">- selecting a cost allocation base- cost allocation for planning and controlling- cost allocation and pricing decisions- contribution margins and cost allocation- service department cost allocation to producing department- step approach to reallocation- timing of cost recognition- journal entries for labour cost data- accounting for incentive plans- allocation of employee fringe benefits TEST
11 - 13	4	<u>Capital Budgeting</u> <ul style="list-style-type: none">- defining relevant capital costs- analysis of factors to be considered in project evaluation- calculating the present value of future cash savings- determining the internal rate of return on future cash savings- calculation of the present value on<ul style="list-style-type: none">(a) total project savings(b) annual savings methods- comparison of the internal rate of return with reciprocal of payback period- factors involved in determining the hurdle rate- consideration of the effects of difficult depreciation methods- the effect of income taxes on projects evaluation- ranking projects with unequal lines- consideration of inflation in capital budgeting
14		<u>Review</u>