

**STATE UNIVERSITY OF NEW YORK  
COLLEGE OF TECHNOLOGY  
CANTON, NEW YORK**



**COURSE OUTLINE**

**ACCT 306 – COST ACCOUNTING**

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**SCHOOL OF BUSINESS & LIBERAL ARTS  
BUSINESS DEPARTMENT  
MAY 2015**

- A. **TITLE:** Cost Accounting
- B. **COURSE NUMBER:** ACCT 306
- C. **CREDIT HOURS:** (3)
- D. **WRITING INTENSIVE COURSE:** No
- E. **COURSE LENGTH:** 15 weeks
- F. **SEMESTER(S) OFFERED:** Fall
- G. **HOURS OF LECTURE, LABORATORY, RECITATION, TUTORIAL, ACTIVITY:**  
3 lecture hours per week

**H. CATALOG DESCRIPTION:**

This course is designed to build upon the foundation students learned in Managerial Accounting thereby offering an advanced examination of cost classification and behavior (and their resulting effects on the financial statements), quantitative and qualitative decision-making acumen, and reporting cost accounting information to internal users of an organization. The student will learn the responsibilities of a cost accountant and distinguish those of a financial and a managerial accountant. Emphasis is placed on various cost models (e.g. job-order, process costing, activity based costing, just-in-time), preparing budgets, and analyzing variances to standards as essential tools to formulating and achieving management goals and objectives in both manufacturing and service enterprises.

**I. PRE-REQUISITES/CO-REQUISITES:**

ACCT 102, CITA 110, MATH106, or permission of the Instructor.

**J. GOALS (STUDENT LEARNING OUTCOMES):**

By the end of this course, the student will be able to:

| <b><i>Course Objective</i></b>  | <b><i>Institutional SLO</i></b>  |
|---|--|
| a. Examine the role of financial, managerial, and cost accounting in the business environment.                    | <b>1. Comm. Skills<br/>2. Crit. Thinking<br/>3. Prof. Competence</b>                           |
| b. Interpret variable, fixed, and mixed costs.  | <b>1. Comm. Skills<br/>2. Crit. Thinking<br/>3. Prof. Competence</b>                           |
| c. Calculate cost-volume-profit relationships apply what-if scenarios and substantiate the results.               | <b>1. Comm. Skills<br/>2. Crit. Thinking<br/>3. Prof. Competence<br/>4. Inter-Intra Skills</b> |
| d. Calculate and analyze variances; record findings to internal users.  | <b>1. Comm. Skills<br/>2. Crit. Thinking<br/>3. Prof. Competence</b>                           |
| e. Differentiate between activity based costing and traditional costing. Apply both methods as a management tool. | <b>1. Comm. Skills<br/>2. Crit. Thinking<br/>3. Prof. Competence<br/>4. Inter-Intra Skills</b> |
| f. Allocate factory overhead to production  | <b>1. Comm. Skills</b>   |

|   |  |
|---|--|
| costs and explain the effects on the balance sheet and income statement.  | <b>2. Crit. Thinking</b><br><b>3. Prof. Competence</b><br><b>4. Inter-Intra Skills</b>                           |
| g. Design and prepare a (1) master budget, (2) flexible budget (3) standard budget.   | <b>1. Comm. Skills</b><br><b>2. Crit. Thinking</b><br><b>3. Prof. Competence</b><br><b>4. Inter-Intra Skills</b> |
| h. Utilize knowledge of product and service costs in setting prices, bidding on contracts, and analyzing the relative profitability of various products and services. | <b>1. Comm. Skills</b><br><b>2. Crit. Thinking</b><br><b>3. Prof. Competence</b><br><b>4. Inter-Intra Skills</b> |
| i. Allocate costs to joint products and by-products.  | <b>1. Comm. Skills</b><br><b>2. Crit. Thinking</b><br><b>3. Prof. Competence</b>                                 |
|   |  |

**K. TEXTS:**

Kinney, C.A. & Raiborn, M.R. (2013) Cost Accounting Foundations and Evolutions, 8<sup>th</sup> edition. Cengage.

**L. REFERENCES:**

- a. [www.nysscpa.org](http://www.nysscpa.org) New York State Society of Certified Public Accountants.
- b. [www.aicpa.org](http://www.aicpa.org) American Institute of Certified Public Accountants.
- c. [www.imanet.org](http://www.imanet.org) Institute of Management Accountants.

**M. EQUIPMENT: Technology enhanced classroom**

**N. GRADING METHOD: A-F**

**O. MEASUREMENT CRITERIA/METHODS:**

- Exams
- Quizzes
- Papers
- Participation
- And as determined by Instructor

**P. DETAILED COURSE OUTLINE:**

I. INTRODUCTION TO COST ACCOUNTING

- A. The Need for Cost Accounting
- B. The Manufacturing Process
- C. Determining Product Costs
  - 1. Determine the Selling Price of a Product
  - 2. Meeting Competition
  - 3. Bidding on Contracts
  - 4. Analyzing Profitability
- D. Planning and Control
  - 1. Assigning Responsibility
  - 2. Periodically Measuring and Comparing Results

- 3. Taking Necessary Corrective Action
- E. Relationship of Cost Accounting to Financial Accounting
- F. The Manufacturer vs. the Merchandiser
- G. Manufacturing Costs
  - 1. Direct Materials
  - 2. Direct Labor
  - 3. Factory Overhead
- H. Flow of Costs
- I. Cost Accounting Systems
  - 1. Process Costing
  - 2. Job Order Costing
  - 3. Standard Costing

## II. ACCOUNTING FOR MATERIALS

- A. Cost Control System
- B. Physical Control of Materials
- C. Controlling the Investment in Materials
- D. Materials Control Personnel
- E. Control During Procurement
  - 1. Purchase Requisition
  - 2. Purchase Order
  - 3. Vendor's Invoice
  - 4. Receiving Report
  - 5. Debit/Credit Memorandum
- F. Control During Storage and Issuance
  - 1. Materials Requisition
  - 2. Returned Materials Report
- G. Materials Accounting
- H. Determining the Cost of Materials Issued
  - 1. FIFO
  - 2. LIFO
  - 3. Moving Average
- I. Accounting Procedures
- J. Accounting for Scrap
- K. Accounting for Spoiled and Defective Work
- L. JIT Materials Control

## III. ACCOUNTING FOR LABOR

- A. Direct Labor
- B. Indirect Labor
- C. Procedures for Recording Payroll Costs
- D. Wage plans
  - 1. Hourly-Rate Plan
  - 2. Piece-Rate Plan
  - 3. Modified Wage Plan
- E. Payroll Department
  - 1. Time Cards and Time Sheets
  - 2. Recordation of Salaries and Wages
  - 4. Recordation of Employee/Employer Payroll Taxes
  - 5. Payroll Accruals
  - 6. Special Labor Costs
    - a. Shift Premiums

- b. Employee Pension Costs
- c. Bonuses
- d. Vacation and Holiday Pay

#### IV. ACCOUNTING FOR FACTORY OVERHEAD

- A. Factory Overhead
  - 1. Identify cost behavior problems
  - 2. Budgeting Factory Overhead
  - 3. Accumulating Actual Overhead Costs
  - 4. Applying Factory Overhead Estimates
  - 5. Calculating and Analyzing Variances Between Actual and Applied Factory Overhead
- B. Cost Behavior Patterns
  - 1. Variable Costs
  - 2. Fixed Costs
  - 3. Mixed Costs
- C. Techniques for Analyzing Mixed Costs
  - 1. Observation Method
  - 2. High-Low Method
  - 3. Least Squares regression Method
- D. Budgeting Factory Overhead Costs
- E. Accounting for Factory Overhead
- F. Fixed Overhead Costs
- G. Distributing Service Department Expenses
  - 1. Direct Distribution Method
  - 2. Sequential Distribution or Step Down Method
  - 3. Algebraic Distribution Method
- H. Estimating Overhead
- I. Accounting for Actual and Applied Overhead

#### V. PROCESS COST ACCOUNTING

- A. Job Order Versus Process Costing
- B. Charging Costs to Departments in a Process Cost System
- C. Product Cost in a Process Cost System
- D. Costing Inventories
- E. Cost of Production Summary
  - 1. Total Costs to be Accounted For
  - 2. Unit Output for the Period
  - 3. Unit Cost for the Period
  - 4. Assigning Inventory Costs
    - a. Work in Process Inventory
    - b. Finished Goods
- F. Multi-Department Operations
- G. Finished Goods Not Transferred
- H. Equivalent Units
  - 1. Materials Added at the Beginning of Processing
  - 2. Materials Added at the Close of Processing
  - 3. Materials Added at Different Stages
- I. Units Lost in Production
  - 1. Normal Losses
  - 2. Abnormal Losses
- J. Units Gained in Production
- K. Joint Products
  - 1. Physical Unit of Measure
  - 2. Relative Sales Value

3. Chemical, Engineering or Other Types of Analysis

L. By-Products

VI. STANDARD COST ACCOUNTING

- A. Control of Costs
- B. Establishing Standard Costs
- C. Determining Standards – Material and Labor
- D. Recording Standard Costs
- E. Determining Variances
  1. Materials Price Variance
  2. Materials Quantity Variance
  3. Labor Rate Variance
  4. Labor Efficiency Variance
- F. Accounting for Variances
- G. Disposition of the Variances
- H. Analysis of Variances
- I. Features of Standard Costing

VII. BUDGETING AND STANDARD COST ACCOUNTING FOR FACTORY OVERHEAD

- A. Process of Budgeting
- B. Preparing the Master Budget
- C. Flexible Budgeting
- D. Service Department Budgets and Variances
- E. Factory Overhead – Determining Standard Costs
- F. Variance Analysis
  1. Two-Variance Method
  2. Three-Variance Method
  3. Four-Variance Method

VIII. COST ACCOUNTING FOR SERVICE BUSINESSES

- A. Characteristics of Service Businesses
- B. Job Order Costing for Service Businesses
- C. Job Cost Sheet for a Service Business
- D. Budgeting for Service Businesses
- E. Activity Based Costing in a Service Firm

IX. COST ANALYSIS FOR MANAGEMENT DECISION MAKING

- A. Direct and Absorption Costing
  1. Comparison of Net Income Under Both Methods
- B. Direct Costing – Merits and Limitations
- C. Segment Profitability Analysis
- D. Cost-Volume-Profit Analysis
  1. Limitations of CVP Analysis
- E. Margin of Safety
- F. Differential Cost Analysis
- F. Make-or-Buy Decisions
- G. Distribution Costs

**Q. LABORATORY OUTLINE: N/A**