

Cost Accounting ACCTNG 3411 – Spring 2021

INSTRUCTOR	Dr. James Hesford
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OFFICE HOURS	Regular hours (by Zoom) will be posted to Canvas. Other hours by appointment.
REQUIRED TEXTBOOK	Datar, S. M., & M. V. Rajan (2018). <i>Hornsgren's Cost Accounting: A Managerial Emphasis</i> . 16 th Edition. New York: Pearson. ISBN-13: 978-0-13-447558-5.
OTHER REQUIRED	<i>MyAccountingLab</i> . Available through Canvas.
PREREQUISITES	MATH 1030, ACCTNG 3401. Campus GPA \geq 2.0 and upper-level accounting (3000-level and higher) GPA \geq 2.3.

COURSE DESCRIPTION

The study of cost systems, development of cost information, cost management and the use of cost information in analytical and problem-solving managerial decision making. You will learn about the concepts that aid managers in the use of cost information to make cost, revenue and production decisions. These concepts include cost terminology, cost behavior, cost estimation, cost-volume-profit analysis, product costing (job order, activity-based and process costing), budgeting, variance analysis, variable costing, cost allocation (service department, common costs and joint costs), management controls and transfer pricing.

OVERVIEW OF COURSE CONTENT, FOCUS AND APPROACH

Accounting is the discipline that measures and reports business information. By now you have taken financial accounting and managerial accounting. You will recall that financial accounting concerns the measurement and recording of transactions to provide reports to external stakeholders (investors, banks, etc.). Conversely, management accounting is the provision of accounting information for managerial decision-making within the firm. Cost accounting provides information for both financial reporting and internal decision-making. Cost accounting and managerial accounting overlap to some degree, but this course covers topics not covered in an introductory managerial accounting course, in addition to revisiting some topics in greater depth.

As you learned in prior classes, financial accounting is basically about recording what happened. Tax accounting is about determining the taxes to be paid and preparing the proper filings in accordance with tax laws. Auditing is about verifying that the financial reports have been correctly prepared and fairly presented. All of these areas look at the past. But managerial accounting is

different: It is about the future of the firm. In management accounting we use historical information to estimate relationships between activities and costs, then use models to predict outcomes for different decision choices.

Having had quite a few years of experience in multiple industries (broadcasting, consumer electronics and semiconductors) and multiple functional areas (operations, engineering and accounting) before obtaining my Ph.D., I try to link the course material to the “real world.” I talk about how each topic is used in practice and all non-textbook examples use actual data from industry. This course is important to your career since business decisions made using carefully developed accounting models are superior to decisions made based on guesses and intuition! In other words, this course will be useful to you whether you a career in engineering, manufacturing/operations, strategy, human resources, marketing and sales, or accounting. In sum, every manager uses these tools to make decisions throughout their career! Knowledge of financial accounting is useful towards understanding how a decision impacts future financial reporting, but sound decisions – the kind that come, in part, from using these managerial accounting concepts – is what drives business success. Financial reporting is like scoring a football game, and no coach will tell the players to focus on achieving a particular score; instead, coaches and players focus on a series of good decisions and good execution on the field. The score tells us which team is better.

Student Responsibilities. This course is challenging and covers a lot of material. In addition, most material builds on the basic concepts, so you must master the early content. With this course being online, I recommend the following approach:

Before Watching the Weekly (Topic) Video

1. Skim the assigned chapter to be discussed in the video.
2. Review the lecture’s PowerPoint files (posted on Canvas).
3. Take notes. While you may want to take notes with a computer, research in learning has found that most people recall material better when notes are written down.

During the Video

1. Watch the video. Again, make written notes. If there is something you don’t understand, watch the video again. (A benefit of being online!) Even persons who think they understood something often benefit from a “second look.” Don’t be afraid you’re the only one struggling with a concept; this is normal for all learning. If you have questions, post them on our Slack discussion channel (**NOT** Canvas!) or come to office hours.

After the Video (the important part!)

1. Soon after watching the video, review and organize your notes. This helps “cement” the concepts in your mind and provides good study notes to prepare for the exams. Ask yourself: (1) “When and why do I use this tool?” (2) “What are the key steps to using it?” and, (3) “Are there contextual or qualitative factors to consider when using it?” Answering these questions won’t always be easy, but give them some thought.
2. Do the assigned homework by its due date. Accounting simply cannot be “read-and-remembered” or crammed at the last minute. That’s possible in history or business law, among other topics. Learning accounting, however, is like learning how to play a sport or a musical instrument. One can’t learn to play basketball by watching LeBron James or reading a playbook. You also wouldn’t start practicing your tennis skills three days before the French Open. Fortunately, at this point in your college career, you should

know you can be successful with appropriate effort. Struggling students often say “*But I did the homework!*” You will find it is helpful if you **do the homework multiple times**. Athletes don’t practice just once, and learning is no different! LeBron James practices regularly and, for this reason, he knows exactly the amount of force to apply to the ball to have it go into the basket from everywhere on the floor; that is, he doesn’t just practice once from a single spot (e.g., the foul line). **And this idea of practice is as true for accounting as it is for LeBron James, a musician, or anyone else who seeks to master something. Practice makes perfect!**

Videos: The videos I prepare will be (1) lecture content on the theory and concepts of each topic (i.e., each chapter) and (2) a selection of exercises and problems from the textbook. The problems are intended to let you see how I approach a problem, and these will help you do the homework.

Homework: After the topic video is available, there will be a homework assignment on *MyAccountingLab*, available through Canvas. There will be 12 homework assignments.

Quizzes: When a topic is completed (after the video and after the homework submission deadline), there will be a short quiz in *MyAccountingLab* available through Canvas. The eleven quizzes will consist of a mix of true/false and multiple-choice questions. Questions will be “basic.” Two of your lowest quiz scores will be dropped (see below for additional information).

Examinations: Exams will consist of true/false, multiple-choice and, possibly, short essay questions. Questions will cover conceptual and computational aspects of the topics covered. The exams are tentatively scheduled for weeks 5 and 10 (see the *Class Schedule* below) and will cover material presented in class through the weeks preceding the exams. The final exam will be comprehensive, covering all material presented in class.

Participation: Five percent (5%) of your course grade will be based on your participation on the *Slack* communication and collaboration platform. Approximately each week (i.e., for each topic) I will post one or more questions or comments on the topic. If you provide three responses over two or three days to my comment, or to one of your classmate’s comment, or a summary of what you learned (or struggled with), I will provide full credit for that week’s participation. Your comments should be substantive, not superficial. In other words, don’t just write: “This week’s topic was CVP.” That wouldn’t count for credit. But if you write something about one of the assumptions of CVP analysis, and whether it impacts real-world use businesspeople, that would count for credit. But you must have three postings over multiple days (i.e., you can’t do all three postings in one day) to earn the full participation credit for that week. This is an easy way to build points for your grade.

Office Hours: I will conduct regular hours that will be online (Zoom). I purchased a Zoom subscription that permits up to 100 participants at a time, so we won’t go through Canvas or the UM license for access. You can schedule a time and meet with me to discuss a problem, or just drop in if nobody has scheduled time. I will announce office hours after the semester has begun. For office hours, I will use Zoom’s waiting room feature so meetings can be private. But if you and a friend want to join together, Zoom permits me to allow multiple people to enter from the waiting room.

BROAD LEARNING OBJECTIVES

1. Increase your business acumen, helping you understand management processes used in running a business, the various decisions faced by managers and the information needed to support business processes and decision-making.
2. Renew and extend your knowledge of managerial and cost accounting information. This course introduces the following topics: (1) cost estimation; (2) product costing (activity-based and process); (3) service department cost allocations; (4) allocation of joint costs and by-product costing; (5) overhead and revenue variances; and, (6) transfer pricing. Topics that extend prior coursework include: (1) CVP analysis; (2) job costing; (3) budgeting; (4) variances for direct costs; and (5) variable costing.
3. Reinforce Excel spreadsheet modeling skills through multiple integrative, real-world mini-cases.
4. Provide students with a basic appreciation for the importance of critical thinking and the opportunity to begin developing this skill.

METHODS OF ASSESSMENT

Points will be assigned for multiple measures of performance. These measures, or assessments, are shown in the following table:

<u>Assessments</u>	<u>Weight towards Course Grade</u>
Topic quizzes (9 are scored @ 2% each)	18%
Homework (12 assignments @ 2% each)	24%
Participation (contributions to Slack discussions)	5%
Intermediate examination #1	15%
Intermediate examination #2	15%
Final examination (comprehensive)	<u>23%</u>
Weighting of all assessments in final grade:	100%

PERFORMANCE ASSESSMENTS

The weighting of specific items on the exams will be described during the examinations. The proportion of points earned to total possible points times one hundred is the score you will receive for each examination. Quizzes may vary slightly in number of questions, but each quiz will have equal weighting. As with the examinations, the proportion of points earned to total possible points for each quiz will be the quiz score. Quiz scores will be combined (after dropping your two lowest scores), with equal weighting, to form your score for the first assessment. With the homework you will have the opportunity to do the problem set multiple times and the highest score will be used. Homework scores will be combined, with equal weighting, to form your score for the second assessment. The mean quiz score, mean homework score, and exam scores will be combined using the weights above to form an overall score.

LATE ASSIGNMENTS, MISSED EXAMS AND MISSED QUIZZES

There will be no unsolicited make-up exams. Students missing exams without a valid reason (*e.g.*, medical) will be assigned a score of zero (0). If you can validate your absence (*e.g.*, with a doctor's note), the final exam will be given correspondingly greater weight. Contact me as soon as possible

if you believe you will not be able to take an exam. There are no make-up quizzes. Students missing quizzes will be assigned a score of zero (0). I will drop two quizzes (two lowest scores). This allows for illness, class conflicts or any other reason for not taking the quiz.

GRADING SCHEME

Based on your overall scores, letter grades will be assigned as shown in the table below:

Score (%)	Letter Grade	Score (%)	Letter Grade	Score (%)	Letter Grade
97-100	A+	93-97	A	90-93	A-
87-90	B+	83-87	B	80-83	B-
77-80	C+	73-77	C	70-73	C-
67-70	D+	63-67	D	60-63	D-
0-60	F				

COURSE POLICIES

- 1. Make-up mid-term exam/quiz policy.** There will be no make-up exams. Students missing exams without a valid reason (*e.g.*, medical) will be assigned a mark of zero (0). If you can validate your absence (*e.g.*, with a doctor's note), the final exam will be given greater weight. You should contact me as soon as possible if you believe you will not be able to take an exam. There are no make-up quizzes. Students missing quizzes will be assigned a mark of zero (0). Please see the section above that specifically covers missed quizzes.
- 2. Conduct of Examinations:** With the circumstances brought on by the pandemic, I have put less weight on exams. The exams will be online and one or more of them may be proctored; whether they are proctored will depend on the technology and state of the pandemic. Information will be provided on Canvas in the appropriate module prior to each exam. Examinations consist of true/false, multiple-choice and, occasionally, short essay questions. You will record your answers online and points are earned based solely on what has been recorded. Intermediate exams will be reviewed in a Zoom session following the exam or by posting a set of solutions to Canvas. Final exams can be reviewed by appointment.
- 3. Student Conduct:** Special care should be taken to understand the university's position on misconduct (*i.e.*, plagiarism, cheating and such). It is the responsibility of the student to read, familiarize and comply with UMSL policies. Students are expected to respect basic standards of intellectual integrity, including, but not limited to, refraining from plagiarism, cheating or duplicating someone else's work. In addition, students are expected to take an active role in encouraging other members of the academic community to refrain from academic dishonesty and are asked to advise the instructor if they are aware of any such violations. This provision applies to work submitted as a group project.

CLASS SCHEDULE

Below is a tentative outline. Recognizing that teaching excellence requires a degree of flexibility and responsiveness to both students' needs and emergent circumstances, adjustments to the course outline may sometimes be necessary.

Week	Date	Chapter(s)	Topic(s)	A Typical Question Asked by Management
1	1/18	2	Introduction to Cost Terms and Purposes	
2	1/25	10	Cost Estimation	What is the cost function for this cost object?
3	2/1	3	Cost-Volume-Profit Analysis	How much must we sell for us to break even?
4	2/8	4	Job Costing	How much does it cost us to make this product?
5	2/18	2, 3, 4, 10	Intermediate Examination I	
6	2/22	5	Activity-based Costing	How much does it cost us to make this product?
7	3/1	17	Process Costing	How much does it cost us to make this product?
8	3/8	6	Budgeting	What does the next period look like for the firm?
9	3/15	7	Variance analysis I: Direct costs	Why do we have these results? What happened?
10	3/25	5, 17, 6, 7	Intermediate Examination II	
	3/29		Spring break	
11	4/5	8	Variance analysis II: Overhead and revenue variances	Why do we have these results? What happened?
12	4/12	22	Management Control Systems, BSC and Transfer pricing	How did this manager (or division) perform last period?
13	4/19	9	Absorption vs. Variable costing	Can we report income differently to change manager behavior?
14	4/26	15	Cost allocations I: Support departments and Common Costs	How can we assign the costs of service departments?
15	5/3	16	Cost allocations II: Joint costs	How do we assign the cost of this process to multiple products?
.	TBD	All Covered	Comprehensive Final Exam	