COST ACCOUNTING
ACC 2360

Class Hours: 3.0 Credit Hours: 3.0
Laboratory Hours: 0.0 Date Revised: Fall 1999

NOTE: This course is NOT designed for transfer credit.

Catalog Course Description:

A study of cost accounting terminology and concepts. Includes job order costing, process costing, and standard costing; also includes accounting for overhead and joint processing costs, as well as absorption vs. variable costing.

Entry Level Standards:

The student must have an understanding of generally accepted accounting principles and recording of financial data and must be able to read at the college level.

Prerequisites:

ACC 2120; OST 2620 or 2621

Textbook(s) and Other Reference Materials Basic to the Course:

Required:
Diskettes, 3-1/2", two (2) and pocket folder
Calculator (Programmable calculators may NOT be used during exams.)

Recommended:
Accounting Paper; 8-1/2" x 11", 2-column, 4-column, and 6-column.

Reference:

I. Week/Unit/Topic Basis:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Basic Cost Concepts; Cost Behavior</td>
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<tr>
<td>2</td>
<td>Direct Costing</td>
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<tr>
<td>3-5</td>
<td>Budgeting</td>
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II. Course Objectives*:

A. Exhibit a knowledge of basic cost accounting concepts. I, II, VII
B. Demonstrate an understanding of cost-volume-profit analysis. I, VII, VIII
C. Develop an understanding of the master budget cycle. I, II, V, VI, VII, VIII
D. Demonstrate and understanding of job order cost accounting systems. I, II, III, VII, VIII
E. Develop an understanding of accounting or materials costs. I, II, VII, VIII
F. Demonstrate an understanding of accounting for labor costs. I, II, VII, VIII
G. Demonstrate an understanding of accounting for overhead costs. I, II, VII, VIII
H. Develop an understanding of process cost accounting systems and accounting for spoilage. I, II, V, VII, VIII
I. Exhibit knowledge of accounting for the costs of joint products and by-products. I, II, VII, VIII
J. Demonstrate an understanding of the standard cost accounting systems and variances. I, II, VII, VIII

*Roman numerals after course objectives reference goals of the Business and Computer Technologies department.

III. Instructional Processes*:

Students will:
1. Exhibit professional behavior by attending class regularly, arriving punctually with the appropriate materials, and being prepared for active class participation each day. *Personal Development Outcome*

2. Use spreadsheet software on a personal computer. *Technological Literacy Outcome, Information Literacy Outcome, Active Learning Strategy*

3. Strengthen their analytical skills by using a variety of decision-making techniques to evaluate financial information. *Problem Solving and Decision Making Outcome, Numerical Literacy Outcome*

4. Work in small groups with other students to arrive at group solutions to assigned problems. *Communication Outcome, Problem Solving and Decision Making Outcome, Active Learning Strategy, Transitional Strategy*

5. Refine their reading skills and expand their vocabularies through completion of assigned readings. *Communication Outcome*

*Strategies and outcomes listed after instructional processes reference Pellissippi State’s goals for strengthening general education knowledge and skills, connecting coursework to experiences beyond the classroom, and encouraging students to take active and responsible roles in the educational process.*

**IV. Expectations for Student Performance***:

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

1. Define cost accounting.  A

2. Differentiate between cost accounting and financial accounting.  A

3. Identify the elements of manufacturing costs and give examples of each.  A

4. Define and calculate prime costs and conversion costs.  A

5. Prepare a cost of good manufactured statement in good form.  A

6. Prepare balance sheets and income statement of a manufacturing firm and in good form.  A

7. Differentiate between job order and process costing and give examples of industries in which each might be used.  A

8. Define a variable cost and show how a change in output affects total variable cost and per unit variable cost.  B

9. Define a fixed cost and show how a change in output affects total fixed cost and percent fixed cost.  B

10. Separate a mixed cost into its variable and fixed elements by the high-low method.  B

11. Explain the difference between direct costing and absorption costing and compute the unit product cost under each method.  B

12. Prepare income statements using both direct costing and absorption costing and explain why the net income is different.  B

13. Compute the breakeven point by the unit contribution method.  B
14. Estimate the sales necessary to earn a desired profit. B
15. Define and explain how budgeting relates to budgetary control. C
16. Prepare a sales budget and show the expected collection of cash receipts. C
17. Prepare a production budget. C
18. Prepare a direct materials budget and show the expected cash payments for direct materials. C
19. Prepare a direct labor budget. C
20. Prepare a manufacturing overhead budget. C
21. Prepare a manufacturing costs budget. C
22. Prepare a selling and administrative expense budget. C
23. Prepare a cash budget. C
24. Prepare a budgeted income statement. C
25. Prepare a flexible budgeted income statement. C
26. Identify the types of businesses that use job order costing. D
27. Name and describe the document used to accumulate and control costs in a job order costing system. D
28. Prepare journal entries to record the flow of direct materials cost, direct labor cost and factory overhead cost in a job order costing system. D
29. Explain why factory overhead is applied to production. D
30. Prepare journal entries to record the completion and sale of finished goods. D
31. Describe the need for material controls. E
32. Describe forms and procedures related to the purchase and storage of materials. E
33. Record the purchase of materials. E
34. Record the return of materials to the supplier. E
35. Calculate the economic order quantity. E
36. Define and describe the materials requisition. E
37. Record the issuance of materials to production and record the return of materials to the storeroom. E
38. Determine the cost of materials issued to production using the following methods: FIFO, LIFO, and moving average. E
39. Differentiate between direct and indirect labor costs. F
40. Differentiate between clock cards and time tickets. F
41. Compute gross earnings, payroll deductions, and net pay. F
42. Prepare a payroll register. F
43. Record the payroll. F
44. Record the distribution of labor costs to production. F
45. Compute and record the employer’s payroll taxes. F
46. Identify factory overhead costs. G
47. Discuss how factory overhead costs can be departmentalized. G
48. Account for actual factory overhead costs. G
49. Allocate overhead costs to jobs. G
50. Discuss why factory overhead is applied to production. G
51. Compute predetermined factory overhead rates using various activity bases. G
52. Compute departmental overhead rates. G
53. Enter applied overhead on job cost sheets. G
54. Make journal entries to record applied overhead. G
55. Determine under- and over-applied overhead. G
56. Close overhead accounts at end of year. G
57. Record the cost of completed jobs. D
58. Prove the job cost ledger. D
59. Record the sale of finished goods. D
60. Prove the stock ledger. D
61. Prepare the financial statements showing manufacturing costs. D
62. Define scrap and show several different ways to account for it. H
63. Explain the nature of spoiled good and the different methods of accounting for them. H
64. Explain the nature of defective goods and how to account for them. H
65. Identify types of businesses that use process costing systems. H
66. Identify similarities and differences between job order and process costing systems. H
67. Identify the accounts used to accumulate and control costs in a process costing system. H
68. Describe the two most common inventory flow methods used in a process costing
system. 

69. Define equivalent units of production. 

70. Calculate the equivalent units produced in each department using the weighted average cost method. 

71. Calculate the unit cost of goods produced each month using the weighted average cost method. 

72. Calculate the amount of cost to transfer to the next department of to finished goods using a cost of production report and the weighted average cost method. 

73. Differentiate between weighted average cost method and FIFO cost method. 

74. Calculate the equivalent units produced in each department using the FIFO cost method. 

75. Calculate the unit of cost of goods produced each month using the FIFO cost method. 

76. Calculate the amount of cost to transfer to the next department or to finished goods using a cost of production report and FIFO process costing. 

77. Differentiate between joint products and by-products. 

78. Explain the meaning of joint costs. 

79. Allocate joint cost based on the following methods: relative sales value method, physical unit method, assigned weight method. 

80. Account for by-products not needing further processing. 

81. Account for by-products needing further processing. 

82. Define a standard cost system. 

83. Explain the difference between theoretical standards and practical standards. 

84. Compute the direct materials cost and quantity variances and show how these variances are recorded in the accounting records. 

85. Compute the direct labor rate and efficiency variances and show how these variances are recorded in the accounting records. 

86. Close the variance accounts. 

87. Explain the nature of using a standard cost system to apply manufacturing overhead to production. 

88. Compute the variable overhead spending and efficiency variances, and prepare the journal entries to close the variable overhead control account and record any variances. 

89. Close the variable overhead spending and efficiency variances into the Cost of Goods Sold account. 

90. Compute the fixed overhead budget and volume variances, and prepare the journal entries to close the fixed overhead control account and to record any variances.
91. Close the fixed overhead budget and volume variances into the Cost of Goods Sold account. J

*Letters after performance expectations reference the course objectives listed above.

V. Evaluation:

A. Testing Procedures:

   The instructor's policy on exams, quizzes, homework, attendance, and grades will be provided in a supplement to the course syllabus. A minimum of four major exams is recommended.

B. Laboratory Expectations:

   Computer-based projects will be assigned in class. The student is expected to complete these assignments out of class as specified by the instructor.

C. Field Work:

   None

D. Other Evaluation Methods:

   This information, if applicable, will be provided by the instructor in full detail during the first week of class via syllabus supplement.

E. Grading Scale:

   92 - 100   A
   89 - 91    B+
   82 - 88    B
   79 - 81    C+
   72 - 78    C
   65 - 71    D
   Below 65   F

VI. Policies:

   Attendance Policy:

   Pellissippi State Technical Community College expects students to attend all scheduled instructional activities. As a minimum, students in all courses must be present for at least 75 percent of their scheduled class and laboratory meetings in order to receive credit for the course.