


Actg 326 Cost Accounting
Summer 1999

Instructor: Ram T. S. Ramakrishnan

 312.996.3270


<http://www.uic.edu/classes/actg/actg326rr/>


Class: Tuesdays and Thursdays 10:30 - 1:00


2301, University Hall

<http://www.uic.edu/~rramakri/>

Office Hours: Mondays and Wednesdays 1:00 - 5:00

Required Text:  Cost Accounting - A Managerial Emphasis, 9th Edition (1996) by Charles T. Horngren, George Foster, Srikant M. Datar; Prentice - Hall, ISBN: 0-13-264086-4

Recommended  Student Guide and Review Manual; ISBN: 0-13-567629-0

Course Material  All the course materials: Cases, Readings, Old exam questions and answers, Homework solutions are in the course WEB Page.
<http://www.uic.edu/classes/actg/actg326rr/>

Course catalog description

3 Hours. For satisfactory progress in the accounting major, students must receive a grade of C or better in Accounting 326. Accounting 326 may be repeated only once.

Design of cost accounting systems, alternate costing methods, costing for decision making

Prerequisites: A grade of C or better in Actg 110 and 111, and for accounting majors, a passing grade on the departmental qualifying exam and declaration of a major. A waiver of the exam will be granted only to students who have an average of B or higher

General Topics


Management accounting relates to information for decision-making, and is unrelated to external financial reporting for the most part. We will discuss the different formats used by "internal" accounting information systems to provide information to managers, and how you would adapt this information to make decisions. The course requires you to integrate the concepts and issues you have studied in other core courses, especially finance, marketing, managerial economics, and financial accounting.

The three main objectives of this course are:

- 1 Identifying manufacturing costs for external reporting (value of inventory and COGS) and for regulated pricing.
- 2 Using accounting information to make pricing, outsourcing and investment decisions.
- 3 Designing and analyzing performance evaluation and control systems.

The course is fairly quantitative, and assumes basic spreadsheet skills. As with many courses in accounting the workload is high.

Course Requirements:

Midterm Examination:	30%	
Final Examination:	50%	
Cases	20%	Marked as 

The last component of the grade relates to collaborative case assignments that have to be turned in. The assignments are due in class on the day that the case is scheduled to be discussed (make a copy of your report for the class discussion). Late assignments will not be accepted. Solutions will be


posted immediately . I reserve the right to increase the course grade for students with an overall score just below the cutoffs separating letter grades, based on my subjective evaluation of your class participation.





Session Guide



All the materials for the course are in the WEB. Most of them are in Excel form. In each workbook, there may be many sheets and use the tabs below to see other sheets. To be able to print the materials in the format that I intended, you need two fonts: Georgia and Verdana. If you do not have them (check the PC you will be working on) download them from the course web site and install them.



For each session, the dates are provided first and the topics to be discussed are listed next. The reading identifies pages from the text that should be skimmed before you come to class and before you attempt any problems. The cases or problems listed as Class Discussion will be discussed in each class; the cases solutions are in the web. The homework problems provide examples of the type of questions you should be able to answer once you have understood the material. You can attempt as many of these problems as time permits. The collaborative case assignments that you have to submit, marked as hand with pen @ symbol are more comprehensive than the homework problems, and they may be discussed in the assigned class after you turn in your analysis; one possible analysis of the case will be posted after(!) we discuss the case in the class. There are also some additional homework cases illustrative of the topics assigned and the solutions to these cases are in the web.

Class schedule

1	1-Jun Tuesday	<p>Uses of management accounting information: For decisions about inputs, outputs; (sourcing, pricing etc.) For cost accounting in reporting, taxes and reimbursements (Cost Accounting). For performance evaluation in responsibility centers; (profit / investment centers) Contrast with accounting for external reporting. Reading: Chapters 1, 2 and 3</p> <p>Budgets for control Standards and Variances; Material and Labor Usage and price variances; Relationship between expenditures and financial statements. Reading: Chapter 7 Class discussion: Cherpond Chapter 7 - 16, 20, 23, 40</p>	
2	3-Jun Thursday	<p>Flexible Budgets and Overhead Overhead budgets and standards; Production volume variances; Flexible budgets; Absorption Costing. Reading: Chapter 8 Class discussion: TranQbar a to d Homework: Chapter 8-17, 23, 38, 39, 40, 41</p> <p>Flexible Budgets and Overhead Reading: Chapter 8</p>	
3	8-Jun Tuesday	<p>Collaborative Learning Problem 8-41</p> <p>Income under alternate costing systems Allocation and apportionment; Variable Vs absorption costing; Proration and actual costing. Reading: Chapter 9 Class discussion: Tranqbar e and f Homework: 9 - 21, 31</p>	

		Income under alternate costing systems	
		Reading: Chapter 9	
		Class discussion: Salem	
4	10-Jun Thursday	Collaborative Learning Problem 9-36	
		Measuring Input Yield, Mix Performance	
		Reading: Chapter 24 pages 866-873	
		Class discussion: 24-34	
		Homework: Chapter 24 - 16, 25, 27	
		Measuring Productivity	
		Reading: Chapter 24 pages 873 - 883	
		Class discussion: 24-34	
		Class discussion: Chapter 24 - 29, 30	
5	15-Jun Tuesday	Collaborative Learning Problem 24-34	
		Interdepartmental Cost Allocation	
		Objectives and classification Service costs allocation Reciprocal Allocations	
		Reading: Chapter 13	
		Class discussion: Madrid Corporation	
		Homework: Chapter 13 - 22, 23, 24, 26, 27, 32, 35	
		Interdepartmental Cost Allocation	
		Reading: Chapter 13	
		Class discussion:	
6	17-Jun Thu	Collaborative Learning Problem 13-35	
		Charge rates and Allocations	
		Cost pools and Plantwide rates; Technological change; Cost justification and reimbursement.	
		Reading: Chapter 14	
		Class discussion: Chapter 14 - 28	
		Homework: Chapter 14 - 19, 21, 22, 23, 24	
		Charge rates and Allocations	
		Cost justification and reimbursement.	
		Reading: Chapter 14	
7	22-Jun Tuesday	Cost Allocation: Joint Products and Byproducts	
		Reading: Chapter 15	
		Class discussion: Lexington	
		Homework: Chapter 15-28, 29, 30, 31	
		Cost Allocation: Joint Products and Byproducts	
		Reading: Chapter 15	
		Class discussion:	
8	24-Jun Thursday	Collaborative Learning Problem 15-32	
		Process Costing Systems	
		Reading: Chapter 17	

		Class discussion: Washington	
		Homework: Chapter 17 - 33, 34, 35, 36, 37, 41	
		Process Costing Systems	
		Reading: Chapter 17	
		Class discussion:	
9	29-Jun Tuesday	Mid-Term Examination	
10	1-Jul Thursday	Revenues, Revenue Variances, and Customer-Profitability Analysis	
		Reading: Chapter 16	
		Class discussion: Charm Wheels	
		Homework: Chapter 16 - 17, 19, 20, 34	
		Revenues, Revenue Variances, and Customer-Profitability Analysis	
		Reading:	
		Class discussion: Chapter 16 - 32	
11	6-Jul Tuesday	Collaborative Learning Problem 15-34	
		Capital Budgeting and Cost Analysis	
		Reading: Chapters 22 and 23	
		Class discussion: Chapter 23-29	
		Homework: Chapter 22-16, 22, 28, 29, 36 Chapter 23- 29, 37	
		Capital Budgeting and Cost Analysis	
		Reading: Chapters 22 and 23	
		Class discussion: Chapter 23-30	
12	8-Jul Thursday	Collaborative Learning Problem 23-37	
		Pricing decisions, product profitability and Cost Management	
		Reading: Chapter 12	
		Class discussion: Chapter 12-33	
		Homework: Chapter 12- 22, 26, 27, 32, 34	
		Responsibility accounting and Decentralization	
		Incentives and Agency Theory; Risk and Motivation.	
		Reading: Chapter 25 pages 901-904; Chapter 26 pages 947-950	
		Class discussion: Leban 3	
		Homework: Avitel, Incentives problems 1-5 Chapter 26- 20,26,27	
13	13-Jul Tuesday	Profit centers and Transfer prices	
		Motivation for transfer prices. Market based prices. Negotiations and information.	
		Reading: Chapter 25	
		Class discussion: Birch Paper Company	
		Homework: Hait, 25-27,28,33,34,36	
		Profit centers and Transfer prices	
		Reading: Chapter 25	
		Homework: 25-18,29,30	

14	15-Jul Thursday	<p>Collaborative Learning Problem 25-36</p> <p>Performance evaluation and investment centers - I Residual income and return on investment. Measurement and definitions of investment Goal congruence and managerial myopia Incentive plans based on accounting methods and numbers; Profit sharing; teamwork; peer review Executive compensation plans. Reading: Chapter 26 Class discussion: Baksar Company Homework: 26-18, 19,22,30</p> <p>Performance evaluation and investment centers - II Return on equity; Cost of capital; residual income; Return on Investment. Class discussion: Ohrcart Homework: 26-31,32,33,34,36</p>	
15	20-Jul Tuesday	<p>Collaborative Learning Problem: Wellesley Corporation</p> <p>Performance evaluation and investment centers - II Class discussion: Wellesley</p> <p>Review</p>	
16	22-Jul Thursday	<p>Final Examination</p>	