

ITT Technical Institute
BU315
Cost Accounting and Budgeting I
Onsite Course

SYLLABUS

Credit hours: 4

Contact/Instructional hours: 40 (40 Theory Hours)

Prerequisite(s) and/or Corequisite(s):

Prerequisite: BU213 Financial Accounting: Reporting and Analysis

Course Description:

The focus of this course is on cost accounting and budgeting processes. It also includes elements that address planning, analysis, behavior and control of these processes.

Where Does This Course Belong?

NOTE: Refer to the catalog for the state-specific course and program information, if applicable.

Course Summary

Major Instructional Areas

1. Cost Accounting Fundamentals: Organization and Methodologies
2. Planning and Control: Budget and Performance Analysis
3. Decision Making: Determining Relevant Information and Cost Management

Course Objectives

1. Analyze how cost accounting supports management accounting.
2. Distinguish the cost concepts and terms that are the basis of accounting information.
3. Make decisions using cost-volume-profit (CVP) analysis.
4. Evaluate the ways of accurately determining job costs.
5. Evaluate the costs and benefits of implementing activity-based costing systems.
6. Evaluate the advantages of a budget in managing operations and developing a strategic plan.
7. Compute price variances and efficiency variances for direct-cost categories.
8. Analyze variable and fixed overhead cost variances.
9. Analyze inventory costing and denominator-level capacity concepts.
10. Examine the assumptions used in cost-behavior estimation, and summarize the various approaches to cost estimation.
11. Analyze relevant financial information for making business decisions.
12. Examine major influences on pricing decisions.
13. Demonstrate effective and efficient use of the ITT Tech Virtual Library.

Learning Materials and References

Required Resources

| Complete Textbook Package | New to This Course | Carried over from Previous Course(s) | Required for Subsequent Course(s) |
|--|--------------------|--------------------------------------|-----------------------------------|
| Horngren, C. T., Datar, S. M., & Foster, G. (2012). <i>Cost accounting: A managerial emphasis</i> (12th ed.). Upper Saddle River, NJ: Prentice Hall. | ■ | | |

Recommended Resources

Books and Professional Journals

The following books are related to this course and are available through the ITT Tech Virtual Library>

Books> NetLibrary:

- Siegel, J. G., Shim, J. K., & Hartman, S. (1998). *Schaum's quick guide to business formulas: 201 decision-making tools for business, finance, and accounting students*. New York, NY: McGraw-Hill Professional.
- Welytok, J. G. (2008). *Sarbanes-Oxley for dummies* (2nd ed.). Hoboken, NJ: John Wiley & Sons, Inc.
- Bragg, Steven M. (2012). *Business ratios: A comprehensive guide* (Wiley Corporate F&A series, 3rd ed.). Hoboken, NJ: John Wiley & Sons, Inc.

ITT Tech Virtual Library (accessed via Student Portal | <https://studentportal.itt-tech.edu>)

- General References
 - > School of Study> School of Business> Professional Organizations
 - American Institute of Certified Public Accountants
 - Association of Chartered Accountants in the United States
 - Financial Accounting Standards Board
 - > School of Study> School of Business> Recommended Links
 - Accounting Industry News from Topix.net
 - AccountingWEB
 - Business Finance Magazine
 - CPA Journal Online
 - Journal of Accountancy Online

- Accounting Today for the WebCPA

Internet Resources

The following websites provide additional information relative to cost accounting:

- American Institute of CPAs: Chartered Global Management Accountant Designation
<http://www.aicpa.org/Membership/Pages/cgma-designation.aspx>
This is a website that gives information on the professional certification for accounting professionals working in business and industry.
- CMA: The Essential Credential
http://www.imanet.org/cma_certification.aspx
This IMA Web page gives information on the professional certification for accounting professionals working in business and industry.
- Monster Cost Accountant Jobs
<http://jobs.monster.com/v-accounting-q-cost-accountant-jobs.aspx>
This site provides a listing of jobs in cost accounting.
- Acorn Cost Accounting Software
<http://www.acornsys.com>
This is one of the many websites that offers software systems that can help in analyzing a company's financial performance.
- American Management Association: Fundamentals of Cost Accounting
<http://www.amanet.org/training/seminars/Fundamentals-of-Cost-Accounting.aspx>
This gives practical instruction in the application of cost account techniques.
- The Cost Accounting Standards Board Disclosure Statement
http://www.whitehouse.gov/sites/default/files/omb/assets/procurement_casb/casb_ds-1.pdf
This document describes many cost accounting concepts used by the U.S. government.
- Forum on Managerial Cost Accounting
http://fasab.gov/resources/forum_managerial_cost_accounting/#part1

This website covers a discussion of cost accounting best practices and requirements.

NOTE: All links are subject to change without prior notice.

Information Search

Use the following keywords to search for additional online resources that you may use to support your work on the course assignments:

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- Cost accounting
- Cost management

- Management decision making
- Activity-based costing
- Lean accounting
- Life-cycle budgeting
- Transfer pricing
- Cost accounting ethics

Suggested Learning Approach

In this course, you will be studying individually and within a group of your peers. As you work on the course deliverables, you are encouraged to share ideas with your peers and instructor, work collaboratively on projects and team assignments, raise critical questions, and provide constructive feedback.

Use the following advice to receive maximum learning benefits from your participation in this course:

| DO | DON'T |
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| <ul style="list-style-type: none">▪ Do take a proactive learning approach▪ Do share your thoughts on critical issues and potential problem solutions▪ Do plan your course work in advance▪ Do explore a variety of learning resources in addition to the textbook▪ Do offer relevant examples from your experience▪ Do make an effort to understand different points of view▪ Do connect concepts explored in this course to real-life professional situations and your own experiences | <ul style="list-style-type: none">▪ Don't assume there is only one correct answer to a question▪ Don't be afraid to share your perspective on the issues analyzed in the course▪ Don't be negative about the points of view that are different from yours▪ Don't underestimate the impact of collaboration on your learning▪ Don't limit your course experience to reading the textbook▪ Don't postpone your work on the course deliverables – work on small assignment components every day |

Course Outline

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| <p>Unit 1: COST ACCOUNTING AND THE ORGANIZATION</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> • Explain how management accounting fits into an organization’s structure. • Identify the differences among the problem-solving, scorekeeping, and attention-directing roles of management accountants. • Explain the corporate and professional code of ethics. | | | <p>Total outside work: 5.5 hours</p> |
| READING ASSIGNMENT | <ul style="list-style-type: none"> • Horngren, Datar, & Foster, Chapter 1 (pp. 2–18) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 1 hr. | |
| | Work on Unit 1 Exercise 1 | 1 hr. | |
| | Work on Unit 1 Exercise 2 | 2 hrs. | |
| | Work on Unit 1 Exercise 3 | 90 min. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 1 Exercise 1: Make a Decision | 2% |
| | | Unit 1 Exercise 2: Ethical Challenges | 2% |
| | | Unit 1 Exercise 3: Organizational Structure and Accounting Roles | 1% |

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| <p>Unit 2: CLASSIFYING COSTS</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> • Define direct costs, indirect costs, fixed costs, and variable costs. • Explain the differences between direct and indirect costs. • Explain the relationship between total cost and unit costs. • Explain the differences between inventorial costs and period costs. • Describe the flow of inventorial costs and period costs. • Define and explain product costs. | | | <p>Total outside work: 5.25 hours</p> |
| READING ASSIGNMENT | <ul style="list-style-type: none"> • Horngren, Datar, & Foster, Chapter 2 (pp. 26–51) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 75 min. | |
| | Work on Unit 2 Exercise 1 | 2 hrs. | |
| | Work on Unit 2 Exercise 2 | 2 hrs. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 2 Exercise 1: Identifying Costs | 2% |
| | | Unit 2 Exercise 2: Total Costs and Unit Costs | 2% |

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| <p>Unit 3: COST-VOLUME-PROFIT ANALYSIS</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> List and define the assumptions of CVP analysis. Explain the features of CVP analysis. Explain the effects of income tax on CVP analysis. Explain the equation, contribution margin, and graph methods. Explain the differences between contribution margin and gross margin. Explain sensitivity analysis. Identify how to plan fixed and variable costs. <p style="text-align: right;">Total outside work: 5.25 hours</p> | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 3 (pp. 62–83) | | |
| OUTSIDE WORK | Activity | | Estimated Time |
| | Complete the reading assignment | | 75 min. |
| | Work on Unit 3 Exercise 1 | | 1 hr. |
| | Work on Unit 3 Exercise 2 | | 1 hr. |
| | | Begin work on Project Part 1 | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 3 Exercise 1: Using CVP Analysis | 2% |
| | | Unit 3 Exercise 2: Making a Decision | 2% |

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| <p>Unit 4: COSTING SYSTEMS</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> Describe the building-block concepts of costing systems. Explain the seven-step approach to job costing. Explain the flow of costs in a job-costing system. Explain the three approaches to accounting for over- and underallocated costs. Identify differences between simple and activity-based costing systems. <p>Explain the differences between activity-based costing systems and department costing systems.</p> <p>Explain how activity-based costing is used for activity-based management and for improving cost management and profitability.</p> <p style="text-align: right;">Total outside work: 6 hours</p> | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 4 (pp. 98–126); Chapter 5 (pp. 138–160) | | |
| OUTSIDE WORK | Activity | | Estimated Time |
| | Complete the reading assignment | | 90 min. |
| | Work on Unit 4 Exercise 1 | | 1 hr. |
| | Work on Unit 4 Exercise 2 | | 90 min. |
| | Work on Unit 4 Exercise 3 | | 1 hr. |
| | | Continue work on Project Part 1 | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 4 Exercise 1: Differences in Costing Methods | 2% |
| | | Unit 4 Exercise 2: Fasano Company Overhead | 2% |

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| | Unit 4 Exercise 3: ABC System versus Simple Costing System | 1% |
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| Unit 5: BUDGETING AND RESPONSIBILITY ACCOUNTING | | | |
| Upon completion of this unit, students are expected to: | | Total outside work: 5 hours | |
| <ul style="list-style-type: none"> List steps involved in developing an operating budget. Explain kaizen budgeting and activity-based budgeting. Describe the relationship between budgeting and responsibility accounting. | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 6 (pp. 182–206) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 1 hr. | |
| | Work on Unit 5 Exercise 1 | 90 min. | |
| | Work on Unit 5 Discussion 1 | 1 hr. | |
| | Complete and submit Project 1 | 90 min. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 5 Exercise 1: Creating an Operating Budget and Budgeted Balance Sheet | 2% |
| | Discussion | Unit 5 Discussion 1: Who Is Responsible? | 5% |
| | Project | Project 1: Cost-Volume-Profit (CVP) Analysis | 15% |

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| Unit 6: VARIANCE ANALYSIS | | | |
| Upon completion of this unit, students are expected to: | | Total outside work: 6 hours | |
| <ul style="list-style-type: none"> Explain the differences between static and flexible budgets. Explain variance analysis and its uses. Explain flexible-budget variances and sales-volume variances. Explain the flexible-budget variance approach for both variable and fixed overhead costs. Explain two concerns when interpreting the production-volume variance as a measure of the economic cost of unused capacity. Explain the four-variance analysis approach. | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 7 (pp. 226–249); Chapter 8 (pp. 262–287) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 2 hrs. | |
| | Work on Unit 6 Exercise 1 | 1 hr. | |
| | Work on Unit 6 Exercise 2 | 1 hr. | |
| | Work on Unit 6 Exercise 3 | 1 hr. | |
| | Begin work on Unit 8 Project 2 | 1 hr. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 6 Exercise 1: Calculating Variances | 2% |
| | | Unit 6 Exercise 2: Variance Review | 2% |

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| | Unit 6 Exercise 3: Sales and Production Volume Variances | 2% |
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| Unit 7: INVENTORY COSTING AND CAPACITY ANALYSIS | | | | |
| Upon completion of this unit, students are expected to: | | | Total outside work: 5.75 hours | |
| <ul style="list-style-type: none"> Identify the differences between variable costing and absorption costing. Discuss how absorption costing can provide undesirable incentives for managers to build up finished goods inventory. List the major factors considered in choosing a capacity level to calculate the budgeted fixed overhead cost rate. Explain how the chosen capacity level affects the production-volume variance. | | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 9 (pp. 300–324) | | | |
| OUTSIDE WORK | Activity | | | Estimated Time |
| | Complete the reading assignment | | | 1 hr. |
| | Work on Unit 7 Exercise 1 | | 1 hr. | |
| | Work on Unit 7 Exercise 2 | | 45 min. | |
| | | Continue work on Project 2 | 3 hrs. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) | |
| | Exercise | Unit 7 Exercise 1: Variable versus Absorption Costing | 2% | |
| | | Unit 7 Exercise 2: Choosing a Capacity Level | 2% | |

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| Unit 8: ESTIMATING COST FUNCTIONS | | | | |
| Upon completion of this unit, students are expected to: | | | Total outside work: 5.5 hours | |
| <ul style="list-style-type: none"> List and explain the methods used for cost estimation. List the criteria used to evaluate and choose cost drivers. List the steps in estimating cost functions. | | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 10 (pp. 340–363) | | | |
| OUTSIDE WORK | Activity | | | Estimated Time |
| | Complete the reading assignment | | | 1 hr. |
| | Work on Unit 8 Exercise 1 | | 90 min. | |
| | Work on Unit 8 Exercise 2 | | 90 min. | |
| | | Complete and Submit Project 2 | 90 min. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) | |
| | Exercise | Unit 8 Exercise 1: Estimating Cost Behavior Using Account Analysis | 2% | |
| | | Unit 8 Exercise 2: Choosing the Cost Driver | 2% | |
| Project | Project 2: Budgeting | 15% | | |

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| <p>Unit 9: MAKING DECISIONS</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> Define the five-step decision process. Differentiate between relevant and irrelevant costs and revenues. Identify the differences between quantitative and qualitative factors in decision making. Explain the opportunity-cost approach. <p style="text-align: right;">Total outside work: 5 hours</p> | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 11 (pp. 390–415) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 1 hr. | |
| | Work on Unit 9 Exercise 1 | 2 hrs. | |
| | Work on Unit 9 Exercise 2 | 2 hrs. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exercise | Unit 9 Exercise 1: Who Benefits? | 2% |
| | | Unit 9 Exercise 2: Relevant or Irrelevant | 2% |

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| <p>Unit 10: PRICING DECISIONS</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> Identify the differences between short-run and long-run pricing decisions. Describe the target-costing approach and cost-plus approach of pricing products. Explain how life-cycle budgeting and costing is used while making pricing decisions. <p style="text-align: right;">Total outside work: 5 hours</p> | | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> Horngren, Datar, & Foster, Chapter 12 (pp. 432–454) | | |
| OUTSIDE WORK | Activity | Estimated Time | |
| | Complete the reading assignment | 1 hrs. | |
| | Work on Unit 10 Discussion 1 | 2 hrs. | |
| | Work on Unit 10 Exercise 1 | 2 hrs. | |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Discussion | Unit 10 Discussion 1: Understanding Target Costing | 5% |
| | Exercise | Unit 10 Exercise 1: Life-Cycle Budgeting | 2% |

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| <p>Unit 11: COURSE REVIEW AND FINAL EXAMINATION</p> <p>Upon completion of this unit, students are expected to:</p> <ul style="list-style-type: none"> Identify blocks in a series of sample scenarios. Recommend blockbuster techniques for identified blocks. <p style="text-align: right;">Total outside work: 5 hours</p> | | |
| READING ASSIGNMENT | <ul style="list-style-type: none"> All course reading materials | |

| OUTSIDE WORK | Activity | | Estimated Time |
|------------------------------------|--------------------------|----------------------------|--|
| | | Complete the Final Exam | |
| | Study for the Final Exam | | 2 hrs. |
| GRADED ACTIVITIES/ DELIVERABLES | Grading Category | Activity/Deliverable Title | Grade Allocation (% of all graded work) |
| | Exam | Unit 11 Final Exam | 20% |

Note: Your instructor may add a few learning activities that will change the grade allocation for each assignment in a category. The overall category percentages will not change.

Evaluation and Grading

Evaluation Criteria

The graded assignments will be evaluated using the following weighted categories:

| Category | Weight |
|--------------|-------------|
| Exercise | 40% |
| Discussion | 10% |
| Project 1 | 15% |
| Project 2 | 15% |
| Final Exam | 20% |
| Total | 100% |

Grade Conversion

The final grades will be calculated from the percentages earned in the course, as follows:

| Grade | Percentage |
|----------|------------|
| A (4.0) | 90–100% |
| B+ (3.5) | 85–89% |
| B (3.0) | 80–84% |
| C+ (2.5) | 75–79% |
| C (2.0) | 70–74% |
| D+ (1.5) | 65–69% |
| D (1.0) | 60–64% |
| F (0.0) | <60% |

Academic Integrity

All students must comply with the policies that regulate all forms of academic dishonesty or academic misconduct, including plagiarism, self-plagiarism, fabrication, deception, cheating, and sabotage. For more information on the academic honesty policies, refer to the Student Handbook and the Course Catalog.

(End of Syllabus)