

Vanguard University
School for Professional Studies
Degree Program

MANAGERIAL ACCOUNTING
BUOM 482

Student Guide

DS 01/10

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COURSE DESCRIPTION

Managerial Accounting provides Business Students with an opportunity to experience what and how accounting data is gathered, summarized and reported to managers and in turn managers are able to make informed decisions to enhance Solvency, Profitability, Liquidity, and Stability of the organization by the use of the organizations resources.

Topical areas covered include: Cash Management Analysis, Solvency and Profitability Ratio's, Tracking Manufacturing processes and Associated Costs, Job Costing vs. Process Costing, Cost Behavior Analysis, Budgeting, Product Performance, Types of Costs, and Cost Graphics.

LEARNING OBJECTIVES OF MANAGERIAL ACCOUNTING

1. Ability to read and understand a company's Annual Report, including critical analysis of the Income Statement, Balance Sheet, and Statement of Cash Flows.
2. Understanding cost concepts for the "manufacturing" company to include Direct Materials, Direct Labor, and Factory Overhead; and how these costs flow through the Cost Accounting System.
3. Understanding the role of managerial accounting in the Planning, Directing, Controlling and Decision Making Process. Topics cover cost-volume-profit analysis, budgeting, variable costing, and differential analysis.

TEXTS AND MATERIALS

Required Texts:

*If you are continuing from Financial Accounting you will be using the same book if you had gotten Warren, Reeve, Duchac 2009. Financial and Managerial Accounting, 10th Ed.:

ISBN-13: 978-0324-66381-5

ISBN-10: 0-324-66386-2

*If you are new to the Accounting modules and are just required to take Managerial Accounting you should **obtain the book that is cheaper.** Either the above mentioned book or just the Managerial Accounting, 10th Ed.:

ISBN-13: 978-0-324-66382-2

ISBN-10: 0-324-66382-X

(Please know that the outline sites page from the Financial and Managerial book, but can easily be referenced to when using just the Managerial text.)

*You may also purchase the books for Financial Accounting and Managerial Accounting separately.

BUOM 475 – Financial Accounting; Corporate Financial Accounting, 10th Ed.:

ISBN-13: 978-0324-66383-9

ISBN-10: 0-324-66383-8

BUOM 482 – Managerial Accounting; Managerial Accounting, 10th Ed.:

ISBN-13: 978-0-324-66382-2

ISBN-10: 0-324-66382-X

Text Support Web Site: www.cengage.com/accounting/warren

At this web site you can go to the “companion site” and find many resources and learning tools including Student PowerPoint presentations and excel templates for homework problems.

Financial Data: <http://www.bloomberg.com/> ; <http://finance.yahoo.com/> are just a few sites that you can obtain financial data information from that that might be helpful for class discussion/requirements.

STUDENT EVALUATION

Percentages	Points	Grade	Significance	GPA
93-100%	930-1000	A	Exceptional	4.00
90-92.9%	900-929	A-		3.67
87-89.9%	870-899	B+		3.33
83-86.9%	830-869	B	Above Average	3.00
80-82.9%	800-829	B-		2.67
77-79.9%	770-799	C+	Average	2.33
73-76.9%	730-769	C		2.00
70-72.9%	700-729	C-		1.67
67-69.9%	670-699	D+		1.33
63-66.9%	630-669	D	Below Average	1.00
60-62.9%	600-629	D-		0.67
00-59.9%	000-599	F	Failure	0.00

OVERVIEW**ASSESSMENT COMPONENTS**

Participation and Weekly Assignments	400 points (40%)
Quizzes (2 @ 50 points)	100 points (10%)
Annual Report Project	200 points (20%)
Take-Home Final Examination	300 points (30%)
Total Points	1,000 points (100%)

You must be a very committed student and be able to set aside time during the week to devote to this class.

Attendance is obviously important since the class has only 5 sessions and has a direct correlation with your

“participation” assessment. Homework is also very important for your success in this class. Various problems will be assigned and are expected to be completed by next class session. Such assignments will consist of exercises contained in the text and/or handouts. The main goal is to make an attempt at doing such problems and to be able to discuss them and review them the next class period. It is not imperative to get the assignments correct, but the actual attempt to complete them is what will help you succeed and also obtain points.

COURSE POLICIES

- **ATTENDANCE AND TARDY POLICY**

You must attend class on time and remain present until dismissed. Class attendance is necessary in order to complete the course. The School for Professional Studies relies on the dynamics of class interaction and group processing in order to integrate and apply the learning of academic content. This model also emphasizes the development and practice of interpersonal communication skills and teamwork (e.g., group problem solving and negotiation). The format therefore necessitates class attendance. In practical terms, one course session is equivalent to three weeks of traditional semester course work.

Due to the concentrated scheduling and the emphasis upon participatory learning, students need to be in attendance every week. Students who miss more than one class meeting (or more than five class hours) in any given course will automatically receive a failing grade and need to retake the course to obtain a passing grade. If an instructor deems that a student's second absence was under extremely unavoidable and unusual circumstances (i.e., an auto accident), the professor may file an academic petition on behalf of the student to the Dean of SPS. If the academic petition is approved, the instructor may give the student a "W" (Withdrawal) grade in place of a failing grade. The student will still be required to retake the course.

Students who arrive late disturb the class. At the professor's discretion, students who arrive late may not receive participation points for the unit covered. Students who are habitually late may be asked to drop the course.

- **CLASS PARTICIPATION**

You must be prepared and participate in all discussions. Criterion: Is the student engaged in classroom discussions? Does the student demonstrate an ability to handle assigned material with a degree of proficiency? (E.g., demonstrate the type of questions and issues consistent, and reflecting a familiarity with the assigned material). Participation evaluated according to quality, not quantity, of participation. Attendance will be scored, and no participation points will be awarded if the student is absent.

- **SUBMISSION OF FINAL EXAMS / PAPERS**

The School for Professional Studies office does not assume responsibility for any final papers. No homework or final papers will be accepted for professors in the SPS office, nor will final papers be returned to students through the SPS office.

The method for the submission of homework and the final exam or final paper will be determined by the professor. The professor will discuss the method which will be employed during the first night of class. All exchanges of papers will be between the student and the professor.

- **DISABILITY SERVICES**

For students with documented medical or psychological disabilities, please contact the Coordinator of Disability Services to request reasonable accommodations. The Coordinator of Disability Services is located in the Counseling Center on the second floor of the Scott Academic Center and can be reached at extension 4489 or by email at disabilityservices@vanguard.edu

For students with a documented learning disability who would like to request appropriate accommodations, please contact the Director of Learning Skills, located upstairs in Scott Academic Center at extension 2540 or by email at disabilityservices@vanguard.edu

- **DIVERSITY STATEMENT**

The School for Professional Studies intends to foster a Christ-centered community that promotes appreciation and respect for individuals, enhances the potential of all members, and values differences in gender, race, abilities, and generation. As such, we endeavor to communicate with honesty, to speak with encouraging and edifying words, and to create a safe environment in our classes and interactions.

STUDENT ASSIGNMENTS

Assessment Components

<u>WEEK</u>	<u>ASSESSMENT</u>	<u>POINTS</u>
1	Participation	80
2	Participation and Assignment	80
3	Participation and Assignment	80
4	Participation and Assignment	80
5	Participation and Assignment	80
	Annual Report Project (Due Week 5)	200
	Quizzes (2 @ 50)	100
	Take-Home Final (<u>Due One Week After Class</u>)	<u>300</u>
	Total Points	<u>1,000</u>

LOGISTICS CHART

Hour	Week 1	Week 2	Week 3	Week 4	Week 5
1	Class Overview Review of Financial Accounting	Review and Discuss Week 1 Assignments	Review and Discuss Week 2 Assignments	Review and Discuss Week 3 Assignments	Review and Discuss Week 4 Assignments
	Income Statement & Balance Sheet	QUIZ 1 Financial vs. Managerial Accounting	Questions on Annual Report Project	Quiz 2 Questions on Annual Report Project	Annual Report Project Due
2	Ch. 14	Ch. 16	Ch. 18	Ch. 20	Ch. 22
	Statement of Cash Flows	Manufacturing Cost Terms	Process Cost Systems	Variable Costing vs. Absorption Costing	Standard Costs Evaluation of Standard Costs
3	Ch. 15		Ch. 19		Ch. 24
	Horizontal/ Vertical Analysis <u>Analytical Measures</u> 10 Solvency 8 Profitability	Inventory Accts. for a Manufacturer Cost Flows	Variable, Fixed, & Mixed Costs	Net Income using Variable Costing vs. Absorption Costing	Differential Analysis Decision making
4		Ch. 17		Ch. 21	
	Corporate Annual Reports Reading/ Homework Assignments	Job Order Cost Systems Reading/ Homework Assignments	Graphing CVP Break-Even Reading/ Homework Assignments	Budgeting Types - Process Reading/ Homework Assignments	Lease/Sell Make/Buy Selling Price Bottlenecks

The above is a brief outline of what is to be covered during each class session. The actual coverage may vary slightly, depending on length of discussions and the ability of students to understand certain concepts.

**please note, that if you are using just the Managerial text, the chapters that are covered are 13, 14, 1, 2, 3, 4, 5, 6, 7, and 9 (in sequential class order).

WEEK ONE

Assignments Due:

Read Text - Chapter 14 Statement of Cash Flows
Chapter 15 Financial Statement Analysis

Obtain an Annual Report

Preferably from a Merchandising or Manufacturing Enterprise
Access Reports or 10 K directly from the company, or their web site, or from other financial web site with annual report access.

Learning Objectives:

1. To read and interpret the Statement of Cash Flows.
2. Comparative Statement Analysis to spot financial trends.
3. Ratio Analysis used in Financial Statement Analysis.
4. Introduction of the Annual Report.

Learning Activities:

I. Introduction to Managerial Accounting

- A. This course provides the student with an introduction of management's use of accounting for planning, control, and decision making within an organization.
- B. Review of Financial Accounting theory, emphasis on the Income Statement and Balance Sheet.

II. Statement of Cash Flows

- A. Reporting Cash Flows from operating, investing and financing activities.
- B. Interpretation of the results.

III. Financial Statement Analysis

- A. Horizontal and Vertical Analysis
- B. Ratio Analysis

Instructor: It is up to the individual instructor to select the ratio and formulas that you feel is appropriate. The book has a wide variety of ratios which you may use or vary from. Make sure to involve the student with in-class reinforcement with problems from the book.

IV. Corporate Annual Reports

- A. Review the use of annual reports and the 10K that is required for SEC filing.
- B. The Annual Report project (point break down at the end of the guide).

Instructor: Explain what is expected for the Annual Report Project. It may be interesting to do the project on a company that the student is interested in or may actually work for. It is much to the student's advantage if the company they choose is one of a merchandising or manufacturing enterprise. Make sure to go over the reports for each student as they bring them in, to see if they easily lend themselves to the task of financial statement analysis.

WEEK TWO

*please note that chapters and pages are used from the “Financial and Managerial” Text. If using just the Managerial Text, chapters and pages may vary. However, the same work is included and the instructor can help you to find the exact pages.

Assignments Due: Reread the Cash Flow chapter and Financial Statement Analysis chapter

- Chapter 14 pg. 645 self-examination questions; pg. 649 ex. 14-2, 3.
- Chapter 15 pg. 709-716 EX 15-3, 4, 5, 6, 22; pg. 717 Problems PR 15-1A, 15-2A, 15-4A.

Read chapters 16 and 17 for this weeks lecture

Learning Objectives:

1. To learn the difference between Product Costs and Period Costs.
2. The different Product Costs (Direct Materials, Direct Labor, FOH) and how they are brought through the cost accounting system.
3. The use of Job Order Cost Accounting.
4. Allocating Factory Overhead.

Learning Activities:**I. Review and Discuss Homework Assignments/Exercises – QUIZ #1**

(Note to Instructor: Select 5 to 10 questions, they should include short answers and/or multiple answers as you see fit; could be oral; students can grade each others. Purpose of the quiz is to ensure the students just doesn't go through the motion – you as well as the students can actually measure their progress and understanding.)

II. Cost Terminology

- A. Product costs vs. Period Costs.
- B. Direct Materials, Direct Labor, Factory Overhead.
- C. Inventories: Materials, Work in Process, Finished Goods.

III. Job Order Cost Accounting

- A. Preparing summary journal entries for the job order cost accounting system.
- B. Mapping the flow of costs through the job order cost accounting system.
Tracking inventory from Material acquisition to WIP to FG to CGS.

IV. Factory Overhead

- A. Actual vs. Applied FOH.
- B. How to find a predetermined Factory Overhead Rate.
- C. Under/Over Applied FOH
- D. Adjusting entry for FOH

WEEK THREE**Assignments Due:****Reread Chapter 16 and 17**

- Chapter 16 pg. 757 Pr. 16-1A ,2A
- Chapter 17 pg.791 EX 17-1,8,9,11: pg.797 PR 17-1A, 17-2A

Learning Objectives:

1. To learn the use of the process cost accounting system.
2. Cost Behavior: identifying variable, fixed and mixed costs.
3. To use Cost-Volume-Profit Analysis for decision making using the contribution margin and break-even point.

Learning Activities:**I. Review and Discuss Chapter 2 Homework/Exercises****II. Process Cost Accounting (Chapter 18)**

- A. Characteristics and cost flows for a process manufacturer
- B. Cost of production report, accounting for completed & partially completed units using FIFO method
- C. Journal entries for transactions of a process manufacturer
- D. Using cost of production reports for decision making
- E. Contrast Just-in-Time processing with conventional manufacturing practices

III. Cost Behavior (Chapter19)

- A. Classify costs by their behavior: variable, fixed, or mixed
- B. Graphing charts to reflect cost behavior.

IV. Cost-Volume-Profit Analysis (Chapter19)

- A. Graphic approach to CVP analysis.
- B. Mathematical approach to CVP analysis.
- C. Calculation of Break-even point
- D. Calculation and applying Contribution Margin.
- E. Target profit and other variables with CVP analysis.

WEEK FOUR**Assignments Due:****Read/reread ch. 18 and 19**

- Chapter 19 pg. 891 Exercises: EX 19-1, 2, 5, 9, 10, 11, 13, 17, 19, 23; pg. 897 PR 19-1A
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Learning Objectives

1. Understanding the difference between Absorption Costing and Variable Costing.
2. Budgeting for planning and controlling costs.

Learning Activities:**I. Review and Discuss Chapter 19 – Homework Exercises Due**

Quiz 2 to be given tonight. Emphasis on terminology of cost accounting and cost behavior.

I.

II. Variable Costing (chapter 20)

- A. Compare differences between variable costing and absorption costing reporting.
- B. Income analysis under variable vs. absorption costing.
- C. Management's use of variable and absorption costing – pricing products – production planning – contribution margin analysis – market segment analysis.
- D. Analysis of market segments including product, territories, and salespersons segments.
- E. Analyzing and explaining changes in contribution margins as a result of quantity and price factors.
- F. Applying variable costing for service firms.

III. Budgeting (chapter 21)

- A. Nature and objectives of budgeting.
- B. Budgeting systems and the use of static vs. flexible budgeting.
- C. Master Budget, Income statement budgets, Balance sheet budgets.

IV. Annual Report Project: DUE NEXT WEEK!!!

Make sure to ask your professor any questions you have!

WEEK FIVE

Assignment Due:

Read/reread text Ch. 20 Variable Costing, Ch. 21 Budgeting; (after tonight's class read Ch. 22 Variances and Ch. 24 Differential Analysis).

Ch. 20 pg. 935 EX 20-1,2

Ch. 21 pg. 983 EX 21-3,4

ANNUAL REPORT PROJECT DUE!

Learning Objectives:

1. How to set standards for costing.
2. Compute and interpret variances from standard.
3. Using skills learned in cost accounting for decision making.

Learning Activities:**I. Review and Discuss Homework assignments due****II. Performance Evaluation Using Variances from Standard Costs (Ch. 22)**

- A. Setting Standards
- B. Variance Analysis
- C. Factory Overhead Variances

III. Differential Analysis and Decision Making (Ch. 24)

- A. Lease or Sell
- B. Discontinue a Segment or Product
- C. Make or Buy
- D. Replace Equipment
- E. Process or Sell
- F. Accept Business at a Special Price

IV. Annual Report Project

Each student should be prepared to give a short oral synopsis of their annual report project and share with the class anything interesting they learned from completing this assignment.

TAKE HOME FINAL EXAM !!! Good luck!

ANNUAL REPORT PROJECT

Please make sure to cover the following information and each part is assigned a point value:

- 1. Name of the company and year of the annual report.
.....5 pts
 - 2. What does the company do and Include a history over the last five years of the company.
.....30 pts
 - 3. Who is the Chairman of the Board/ CEO, and what do they have to say about the company?
.....20 pts
 - 4. What kind of year did the company experience and how does this compare to the previous years?
.....20 pts
 - 5. How much are the total assets, total liabilities, stockholder’s equity, and net income?
How much cash flow (increased or decreased) from operations, from investing, and from financing?
.....25 pts
 - 6. Include a horizontal analysis and vertical analysis for both Balance Sheet and Income Statement.
.....30 pts
 - 7. Ratio analysis using the list provide by the instructor.
.....35 pts
 - 8. Point out some observations regarding the company that you found interesting.
.....20 pts
 - 9. Who was the company’s independent auditor?
.....5 pts
 - 10. If you had bought a 1000 shares of this stock at the beginning of this calendar year (Jan 1) and held it to the present, how much money would you have made or lost?
.....10 pts
- Total Points200 pts**

Print out AND submit the following with your Annual Report

- 1. Balance Sheet
- 2. Income Statement
- 3. Statement of Cash Flow
- 4. Presidents Message
- 5. Board of Directors Message
- 6. Auditors Report
- 7. Interesting Topic(s)
- 8. Show ALL supporting calculations for the Analytical Measures

BOOK ANALYTICAL MEASURES

Solvency Measure	
1	Working Capital
2	Current Ratio
3	Quick Ratio
4	Accounts Receivable Turnover
5	Number of days' sales in receivables
6	Inventory turnover
7	Number of days' sales in inventory
8	Ratio of Fixed Assets to Long-Term Liabilities
9	Ratio of Liabilities to Stockholders' Equity
10	Number of times interest charges earned
Profitability Measures	
11	Ratio of Net Sales to Assets
12	Rate earned on Total Assets
13	Rate earned on Stockholders' Equity
14	Rate earned on Common Stockholders' Equity
15	Earnings Per Share on Common Share
16	Price-earnings Ratio
17	Dividends per share of Common Stock
18	Dividend Yield