

Fundamentals of Cost Accounting

Learning Objectives

- Describe the Fundamental Concepts of Cost Accounting
- Apply Cost Accounting Methods to Identify Profitable Products and Services
- Analyze Reports to Make Sound Pricing Decisions
- Compare Cost Accumulation Systems and Choose the Right One for Your Company
- Evaluate Results Against Budgets with Greater Accuracy
- Use Cost Accounting Methods to Optimize the Use of People, Resources, and Materials

Introduction to Cost Accounting

- Explain the Purpose and Functions of Cost Accounting and Its Relationship to Financial Accounting
- Create Cost Estimations By Correctly Applying Relevant Cost-Estimation Strategies
- Define and Categorize Inventoriable Costs

Job-Order Costing and Process Costing

- Explain the Purpose and Application of Job-Order Costing
- Explain the Purpose and Application of Process Costing
- Describe and Calculate Equivalent Units
- Identify, Define, and Categorize Various Types of Product Costs
- Correctly Journalize the Costs of Manufacturing Transactions in a Job-Order Costing System
- Correctly Journalize the Costs of Manufacturing Transactions in a Process Costing System
- Analyze Overhead Costs and Select the Best Method(s) of Allocating Overhead in a Diverse or Multiproduct Operation
- Create Costing Reports, Including a Job-Order Cost Sheet and a Cost of Production Report

Joint Product Costing and Byproduct Costing

- Identify Shared Cost Components Across Product Lines
- Recognize and Differentiate Between Shared Costs and Separable Costs
- Determine Correlating Factors for Cost Allocation During Production
- Calculate Net Realizable Value at Various Production Points
- Differentiate Between Two Methods of Byproduct Revenue Recognition

Absorption Costing vs. Direct Costing

- Differentiate Between Absorption and Direct Costing
- Explain Why Absorption Costing Meets GAAP Requirements While Direct Costing Is Useful for Internal Reporting
- List the Advantages and Disadvantages of Direct Costing
- Recognize the Process and Requirement for Establishing a Direct-Costing System
- Convert a Traditional Income Statement into a Direct Costing Income Statement
- Reconcile the Differences in Net Income Between the Two Types of Statements By Using the Same Data

Standard Costing and Variance Analysis

- Explain the Relationship Between Standard Costs, Employee Motivation, and Performance Evaluations
- Understand the Different Approaches to Setting Standards and Explain the Implications of Each Approach
- Identify Actions or Situations That Create the Need to Change Standards
- Assess the Implications of Changing Standards
- Discover the Reasons for Cost Variances and Make Recommendations to Bring Costs into Better Alignment with Established Standards

Activity-Based Costing (ABC) for Management Control

- Explain Reasons for Using Activity-Based Costing Instead of Traditional Methods
- Identify and Assign Costs to Activities
- Design a Basic Activity-Based Costing System
- Compare Data Generated By Your Activity-Based Costing System with a Traditional Costing System and Draw Conclusions About the Appropriate Application of Each Method of Costing

Cost-Volume-Profit Analysis and Break-Even Point

- Identify Fixed, Variable, and Mixed Costs
- Apply Cost Accounting Formulas to Identify Profitability
- Explain the Applications and Limitations of Cost-Volume-Profit Analysis
- Discuss the Use of Contribution Margin in “What If” Analysis
- Describe Margin of Safety and Its Impact on Decisions to Add Fixed Costs or to Change Cost Structures
- Create an Income Statement for Use in a Cost-Volume-Profit Analysis That Segregates Costs According to Their Behavior

Relevant Costing and the Contribution Approach to Decision Making

- Determine Which Costs Are Considered Relevant in a Decision-Making Process
- Apply Relevant Costing to Evaluate Different Scenarios When Making Decisions
- Calculate Relevant Costs and Analyze the Implications of Accepting Business at a Special Price
- Calculate Relevant Costs and Analyze the Implications of Dropping a Product Line or Closing a Facility
- Calculate Relevant Costs and Analyze Potential Decisions When There Are Limiting Factors of Production