



# **Intermediate Management Accounting**

**National University of Sciences & Technology**

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## Course Description

Code: ACC – 222

Pre-requisite: ACC – 112

Credit hours: 3

Students will learn techniques to become competent users of accounting data and to fully integrate their understanding of basic transactions, cost behavior, and control systems into the analysis of business problems. Topics covered include: Product/(Service) costing , Activity-based costing (ABC) and profitability analysis , cost behavior, cost allocation, variance analysis, Budgeting and variance analysis , Performance evaluation: EVA, Balanced Scorecard, etc. This course will help students become better and more efficient decision-makers.

## Course Objectives

The objectives of this course are,

- To Describe the role of management accounting within an organization
- To develop an understanding of how financial and non-financial information can be used for decision-making and performance improvement.
- To Apply the various cost classification concepts that are fundamental to the language of management accounting
- To Evaluate how costs behave and use this information in a range of decisions
- Apply various product costing methods and discuss features of different budgeting systems and undertake budget variance analysis

## Learning Outcomes

By the end of the course you have a basic grasp of Management Accounting concepts, tool. Doing so will enable you to better understand current events in Management accounting. The intended learning outcomes of the course include,

- Understand the essential requirements of a management accounting system and the control systems required for materials, labor and overheads.
- Know how to classify and analyze cost data and understand how cost systems differ by activity, i.e. job, process and contract costing
- Understand costs for short-term decision-making and know the difference between marginal and absorption costing
- Understand the purpose of budgetary control including the purpose and importance of working capital management
- Understand the purpose of standard costing and variance analysis

## Required Course Material

The textbook for this course is:

“Fundamental Accounting Principles” Authors: Wild, Shaw, Chiappetta Edition: (20<sup>th</sup>

Edition)

Supplemental readings may also be used from academic and business journals.

Reading financial sections of newspapers and/or periodicals is encouraged.

### Course Evaluation (Grade Breakup)

Grading will be done as per NBS criteria. The breakup of the grade points is as follows:

Final Exam	50%
Mid Semester Exam	25%
Assignments	15%
Quizzes & Participation	10%

### Course Content (Weekly)

Weekly breakdown is given below

Week	Lecture Topic	Reading
1.	<b>Managerial Accounting Concepts and Principles</b> 1.1 Purpose of Managerial Accounting 1.2 Nature of Managerial Accounting 1.3 Managerial Decision Making 1.4 Fraud and Ethics in Managerial Accounting 1.5 Types of Cost Classifications 1.6 Identification of Cost Classifications 1.7 Cost Concepts for Service Companies	Page 732-739
2.	<b>Reporting Manufacturing Activities</b> 2.1 Manufacturer's Balance Sheet 2.2 Manufacturer's Income Statement 2.2.1 Cost of Goods Manufactured 2.2.2 Income Statement 2.2.3 Cost Flowchart 2.3 Factors Affecting Direct/Indirect Cost Classification 2.4 Cost Behavior 2.5 Cost Behavior Summarized 2.6 Other Cost Concepts 2.7 Flow of Manufacturing Activities 2.8 Manufacturing Statement 2.9 Trends in Managerial Accounting	Page 740-754

<b>3</b>	<b>Job Order Cost Accounting</b> 3.1 Cost Accounting System 3.2 Job Order Production 3.3 Events in Job Order Costing 3.4 Job Cost Sheet 3.5 Job Order Cost Flows and Documents 3.6 Labor Cost Flows and Documents 3.7 Over Head Cost Flows and Documents	Page 776-783
<b>4</b>	<b>Job Order Cost Accounting</b> 4.1 Journal Entries for Cost Accounting 4.2 Cost Allocation of Overheads 4.3 Summary of Cost Flows 4.4 Adjusting Factory Overhead 4.4.1 Factory Overhead T-Accounts 4.4.2 Under Applied or Over Applied Overhead	Page 784-792
<b>5</b>	<b>Process Cost Accounting</b> 5.1 Process Operations 5.2 Comparing Job Order and Process Operations 5.3 Organization of Process Operations 5.4 Comparing Job Order and Process Cost Accounting 5.5 Process Direct and Indirect Cost 5.6 Accounting for Material Cost 5.7 Accounting for Labor Cost 5.8 Accounting for Factory Overhead 5.9 Journal Entries for Process Cost	Page 814-820
<b>6</b>	<b>Process Cost Accounting</b> 6.1 Equivalent Units of Production 6.2 Accounting for Goods in Process 6.3 Differences in Equivalent Units for Materials, Labor and Overhead 6.4 4 Step Process 6.4.1 Determine the Physical Flow of Units 6.4.2 Compute Equivalent Units of Production 6.4.3 Compute the Cost per Equivalent Unit 6.4.4 Assign and Reconcile Costs 6.5 Transfer to Finished Goods Inventory and Cost of Goods Sold 6.6 Trends in Process Operations	Page 821-836
<b>7</b>	<b>Cost Allocation and Performance Measurement</b> 7.1 Allocating Cost for Product Costing 7.2 Two Stage Cost Allocation	Page 858-864

	7.3 Activity Based Cost Allocation 7.4 Comparison of Two Stage and Activity Based Cost Allocation 7.5 Allocating Cost for Performance Evaluation	
<b>8</b>	<b>Cost Allocation and Performance Measurement</b> 8.1 Departmental Accounting 8.2 Departmental Expense Allocation 8.3 Departmental Income Statements 8.4 Departmental Contribution to Overhead 8.5 Evaluating Investment Center Performance 8.6 Responsibility Accounting 8.6.1 Controllable versus Direct Cost 8.6.2 Responsibility Accounting System 8.6.3 Summary of Cost Allocation	Page 865-885
<b>9</b>	<b>Mid Semester Exam</b>	
<b>10</b>	<b>Cost-Volume-Profit Analysis</b> 10.1 Identifying Cost behavior 10.2 Fixed Costs 10.3 Variable Costs 10.4 Mixed Costs 10.5 Step-wise Costs 10.6 Curvilinear Cost 10.7 Measuring Cost Behavior 10.7.1 Scatter Diagrams 10.7.2 Least-Squares Regression 10.8 Comparison of Cost Estimation Methods 10.9 Variable Costing vs. Absorption Costing 10.10 Operating Leverage	Page 908-913
<b>11</b>	<b>Cost-Volume-Profit Analysis</b> 11.1 Breakeven Analysis 11.2 Contribution Margin and Its Measures 11.3 Computing Breakeven Point 11.4 Preparing Cost Volume Profit Chart 11.5 Making Assumptions in Cost Volume Profit Analysis 11.6 Applying Cost-Volume-Profit Analysis 11.7 Computing Income Sales and Costs 11.8 Computing Sales for Target Income 11.9 Computing Margin of Safety 11.10 Using Sensitivity Analysis 11.11 Computing Multi-Product Breakeven Point 11.12 Demonstration Problem	Page 914-926
<b>12</b>	<b>Master Budgets and Planning</b> 12.1 Strategic Budgeting	Page 946-950

	<ul style="list-style-type: none"> <li>12.2 Benchmarking Budgets</li> <li>12.3 Budgeting and Human Behavior</li> <li>12.4 Budgeting as Management Tool</li> <li>12.5 Budgeting Communication</li> <li>12.6 Budget Committee</li> <li>12.7 Budget Reporting</li> <li>12.8 Budget Timing</li> </ul>	
<b>13</b>	<b>Master Budget and Planning</b> <ul style="list-style-type: none"> <li>13.1 Master Budget</li> <li>13.2 Master Budget Components</li> <li>13.3 Operating Budgets <ul style="list-style-type: none"> <li>13.3.1 Sales Budget</li> <li>13.3.2 Merchandise Purchase Budgets</li> <li>13.3.3 Selling Expense Budget</li> <li>13.3.4 General and Administrative Expense</li> </ul> </li> <li>13.4 Capital Expenditure Budget</li> <li>13.5 Financial Budget <ul style="list-style-type: none"> <li>13.5.1 Cash Budget</li> <li>13.5.2 Budgeted Income Statement</li> <li>13.5.3 Budgeted Balance Sheet</li> </ul> </li> </ul>	Page 951-965
<b>14</b>	<b>Flexible Budgets and Standard Costs</b> <ul style="list-style-type: none"> <li>14.1 Budgetary Process</li> <li>14.2 Budgetary Control and Reporting</li> <li>14.3 Fixed Budget Performance Report</li> <li>14.3 Budget Reports for Evaluation</li> <li>14.4 Purpose of Flexible Budgets</li> <li>14.5 Preparation of Flexible Budgets</li> <li>14.6 Flexible Budget Performance Report</li> <li>14.7 Balanced Scorecard Implementation</li> <li>14.8 Standard Costs</li> <li>14.9 Identifying Standard Costs</li> <li>14.10 Setting Standard Costs</li> <li>14.11 Cost Variances <ul style="list-style-type: none"> <li>14.11.1 Cost Variances Analysis</li> <li>14.11.2 Cost Variance Computation</li> <li>14.11.3 Cost Effect of Growth for Fixed Costs</li> <li>14.11.4 Computing Material and Labor Variances</li> </ul> </li> <li>14.12 Summary</li> </ul>	
<b>15</b>	<b>Final Exam</b>	