



Western Technical College

## 10101149 Cost Accounting

### Course Outcome Summary

#### Course Information

**Description** This course is an introduction to cost accounting with an emphasis on the principles of job order, process, and standard cost accounting procedures. The course covers accepted procedures used in service, merchandising, and manufacturing enterprises. Accounting for materials, labor, factory overhead, standard costing, and management decision processes are studied in detail.

**Career Cluster** Finance

**Instructional Level** Associate Degree Courses

**Total Credits** 4

**Total Hours** 72

#### Pre/Corequisites

Prerequisite 10101124 Accounting Principles 2

#### Textbooks

*Accounting – Chapters 18-21, 23.* 27th Edition. Copyright 2018. Warren, Carl, James M. Reeve and Jonathan Duchac. Publisher: Cengage Learning. **ISBN-13:** 978-1-337-27211-7. Required.

*CNOWv2 for Accounting – 12 Months.* Copyright 2018. Warren, Carl, James M. Reeve and Jonathan Duchac. Publisher: Cengage Learning. **ISBN-13:** 978-1-337-27229-2. Required.

#### Learner Supplies

Calculator. **Vendor:** Campus Shop. Required.

## High Impact Practices

1. Community Based Learning Project: a key learning outcome of this course is to connect academic learning and civic development while simultaneously addressing a community partner's needs, interests, or problems.
2. Learning Community: these courses are designed to enhance your learning experience in which a cohort of peers complete two or more courses that are linked through projects, themes, or program emphasis.

## Course Competencies

### 1. Apply basic cost accounting concepts.

#### Assessment Strategies

- 1.1. Written Objective Test

#### Criteria

*You will know you are successful when*

- 1.1. you define cost accounting.
- 1.2. you explain uses of cost accounting data.
- 1.3. you describe relationship of cost accounting to financial accounting.
- 1.4. you identify the elements of manufacturing costs.
- 1.5. you distinguish between two basic types of cost accounting systems.
- 1.6. you prepare accounting entries for costs in a cost accounting system.
- 1.7. you prepare cost and financial accounting statements/reports.

#### Learning Objectives

- 1.a. Determine product costs and pricing.
- 1.b. Explain the manufacturing process.
- 1.c. Explain planning and control.
- 1.d. Calculate cost of goods sold/manufactured.
- 1.e. Differentiate inventories for service, merchandising, and manufacturing entities.
- 1.f. Identify direct materials costs.
- 1.g. Identify direct labor costs.
- 1.h. Identify factory overhead costs.
- 1.i. Identify selling and administrative costs.
- 1.j. Differentiate between prime and conversion costs.
- 1.k. Differentiate between product and period costs.
- 1.l. Identify a job costing system.
- 1.m. Identify a process costing system.
- 1.n. Examine standard costs.
- 1.o. Process costs through the work in process control account.
- 1.p. Complete statement of cost of goods manufactured, income statement, and balance sheet.
- 1.q. Use cost accounting terminology.

### 2. Allocate material costs.

#### Assessment Strategies

- 2.1. Written Objective Test

#### Criteria

*You will know you are successful when*

- 2.1. you identify the elements of an effective material control system.
- 2.2. you recognize the two primary types of material costs.
- 2.3. you account for materials in a cost accounting system.
- 2.4. you diagram the flow of material costs.
- 2.5. you prepare accounting entries for material costs in a cost accounting system.

#### Learning Objectives

- 2.a. Calculate the cost of materials.

- 2.b. Identify the forms used during material procurement.
- 2.c. Calculate material costs using different inventory methods.
- 2.d. Complete materials portion of cost accounting forms/reports.
- 2.e. Differentiate between direct and indirect material costs.
- 2.f. Complete cost accounting entries for materials.

### 3. **Allocate labor costs.**

#### **Assessment Strategies**

- 3.1. Written Objective Test

#### **Criteria**

*You will know you are successful when*

- 3.1. you identify the various types of labor costs.
- 3.2. you identify methods for controlling labor costs.
- 3.3. you apply the different methods in accounting for labor costs.
- 3.4. you diagram the flow of labor costs.
- 3.5. you prepare accounting entries for labor costs in a cost accounting system.

#### **Learning Objectives**

- 3.a. Differentiate between direct and indirect labor costs.
- 3.b. Calculate actual and standard direct labor costs.
- 3.c. Complete cost accounting journal entries for labor.
- 3.d. Calculate accrued labor costs.
- 3.e. Calculate labor costs utilizing job sheets and related cost accounting forms.
- 3.f. Identify internal control procedures associated with labor costs.
- 3.g. Use cost accounting terminology associated with labor costs.

### 4. **Allocate factory overhead costs.**

#### **Assessment Strategies**

- 4.1. Written Objective Test

#### **Criteria**

*You will know you are successful when*

- 4.1. you identify cost behavior patterns.
- 4.2. you separate semi-variable costs into fixed and variable components.
- 4.3. you account for actual factory overhead costs.
- 4.4. you distribute service department factory overhead cost to production departments.
- 4.5. you apply factory overhead using predetermined rates.
- 4.6. you discuss why factory overhead is applied to production.
- 4.7. you diagram the flow of factory overhead costs.
- 4.8. you prepare journal entries for factory overhead costs in a cost accounting system.

#### **Learning Objectives**

- 4.a. Identify factory overhead costs as fixed, variable, and semivariable.
- 4.b. Calculate factory overhead costs based on company specifications.
- 4.c. Distribute factory overhead costs to various departments.
- 4.d. Account for departmental overhead costs.
- 4.e. Distribute service department(s) overhead costs to production department(s)
- 4.f. Calculate predetermined factory overhead rates using the direct labor cost, direct labor hour, and machine hour costing methods.
- 4.g. Apply factory overhead using predetermined rates.
- 4.h. Calculate and dispose of over/underapplied overhead
- 4.i. Complete journal entries to record actual and applied factory overhead.
- 4.j. Complete the factory overhead portion of cost accounting forms.
- 4.k. Use cost accounting terminology as it relates to factory overhead.

### 5. **Calculate costs using a job order costing system.**

#### **Assessment Strategies**

- 5.1. Written Objective Test

## Criteria

*You will know you are successful when*

- 5.1. you define what constitutes a "job" from a cost accounting perspective.
- 5.2. you explain the purpose of job order costing.
- 5.3. you identify types of businesses that use job order costing systems.
- 5.4. you prepare documents used to accumulate and control costs in a job order costing system.
- 5.5. you explain why factory overhead is applied (estimated) to production.
- 5.6. you illustrate flow of costs through a job order system.
- 5.7. you prepare journal entries for costs in a job order costing system.
- 5.8. you prepare journal entries to record completion and sale of finished goods in a job order costing system.

## Learning Objectives

- 5.a. Prepare documents required in a job order costing system.
- 5.b. Account for direct materials and labor in a job order costing system.
- 5.c. Account for actual factory overhead in a job order costing system.
- 5.d. Distribute factory overhead costs to various departments in a job order costing system.
- 5.e. Distribute factory overhead costs for service department(s) to production department(s) in a job order costing system.
- 5.f. Apply factory overhead costs to individual jobs in a job order costing system.
- 5.g. Calculate and dispose of over/underapplied factory overhead costs in a job order costing system.
- 5.h. Calculate the costs of completed jobs in a job order costing system.
- 5.i. Prepare accounting entries required in a job order costing system.
- 5.j. Complete journal entries associated with a job order costing system.
- 5.k. Use cost accounting terminology associated with job order cost systems.

## 6. Calculate costs using a process costing system.

### Assessment Strategies

- 6.1. Written Objective Test

## Criteria

*You will know you are successful when*

- 6.1. you explain the purpose of a process costing system.
- 6.2. you identify types of businesses that use process costing systems.
- 6.3. you recognize the differences between job order costing and process costing accounting systems.
- 6.4. you assign costs to inventories using different inventory methods.
- 6.5. you recognize the differences resulting from the use of different inventory methods in a process costing system.
- 6.6. you explain the concept of and calculates the cost of equivalent units.
- 6.7. you prepare process costing reports.
- 6.8. you compute unit costs in a process costing system.
- 6.9. you diagram the flow of costs through a process costing system.
- 6.10. you prepare accounting entries for costs in a process costing system.

## Learning Objectives

- 6.a. Compare and contrast process costing and job order costing accounting systems.
- 6.b. Calculate equivalent unit cost when materials are added at the start of the production process.
- 6.c. Prepare a cost of production report for a manufacturer utilizing a process costing system.
- 6.d. Calculate unit costs with and without beginning inventories when there is only one department.
- 6.e. Calculate unit costs with and without beginning inventories when there are two or more departments.
- 6.f. Prepare a departmental cost worksheet in a process costing system.
- 6.g. Prepare a statement of costs of goods manufactured report.
- 6.h. Prepare accounting entries required in a process costing system.
- 6.i. Prepare journal entries required in a process costing system.
- 6.j. Use cost accounting terminology as it relates to a process costing system.

## 7. Compute standard costs.

### Assessment Strategies

- 7.1. Written Objective Test

## Criteria

*You will know you are successful when*

- 7.1. you journalize entries based on standard costs for the period.
- 7.2. you use appropriate journals and ledgers for standard costs.
- 7.3. you prepare end-of-period cost reports/summaries.
- 7.4. you distribute service departments costs to producing departments.
- 7.5. you prepare required adjusting entries.

## Learning Objectives

- 7.a. Complete required job costing calculations for the period,
- 7.b. Utilize competencies to complete manufacturing standard reports.
- 7.c. Demonstrate knowledge of cost accounting applications and procedures.
- 7.d. Use cost accounting terminology associated with standard costing.
- 7.e. Utilize conversion factors to calculate standard material, labor and factory overhead costs.

## 8. Analyze variances.

### Assessment Strategies

- 8.1. Written Objective Test

## Criteria

*You will know you are successful when*

- 8.1. you calculate factory overhead costs at different levels of production.
- 8.2. you calculate the variance amount for the three different types of direct material variances, and identify whether favorable/unfavorable.
- 8.3. you calculate the variance amount for the three different types of direct labor variances, and identify whether favorable/unfavorable.
- 8.4. you calculate the variance amount for the three different types of factory overhead variances, and identify whether favorable/unfavorable.
- 8.5. you identify the reasons for favorable versus unfavorable cost variances for direct materials, direct labor, and factory overhead.
- 8.6. you compile reports summarizing cost variances for a manufacturer.

## Learning Objectives

- 8.a. Prepare standard cost reports reflecting the operations of a manufacturer.
- 8.b. Explain the interrelationships of the various cost components of a manufacturer.
- 8.c. Analyze the differences resulting from actual-to-standard costs.
- 8.d. Explain the impact of cost variances on management decision making.
- 8.e. Discuss the purpose of the various cost reports prepared by manufacturers.
- 8.f. Use cost accounting terminology associated with variance analysis.