



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

ACCT222 ***Cost and Management Accounting***

Semester Two, 2023

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2020: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

ACCT 222 aims to provide students with an understanding of, and ability to produce and apply cost and management accounting information that is used in planning and control of organisations (with special reference to New Zealand organisations). Particular emphasis is placed on mastering the topics of budgeting, variances and performance evaluation, relevant costs for decision making, pricing, treatment of overhead and allocations, and considering the influence that human behaviour and strategic direction have on those processes and the use of this cost accounting information.

Prerequisites – C+ grade or better in BSNS 107 or BSNS115 and ACCT 102 and 54 other points from Commerce Schedule C.

Learning Outcomes

Upon successful completion of this paper, you should have achieved:

- 1) An understanding of and ability to calculate and apply the costing techniques detailed below under **Core Topics** (LO2.1, 2.2).
- 2) An understanding of the interrelationship of these costing techniques with other business functions (e.g. marketing, human resource management, strategy) and their role in real organisations, with special reference to New Zealand organisations (LO1.1, 2.2,3.1, 4.3).
- 3) Problem-framing and analytical skills, information seeking and retrieval skills, problem-solving skills (LO 1.1, 1.2, 2.2, 3.1, 3.2). More specifically you will be able to:
 - i. Critically evaluate a previously unseen organisational situation for its cost and management accounting issues.
 - ii. Formulate clear ideas about the problems and issues involved, and about any likely further information and knowledge that might be required to deal with the issues identified.
 - iii. Gather the necessary information and knowledge, and re-formulate an understanding of the issues.
 - iv. Apply any necessary analysis and understanding to formulate alternatives to resolve the identified issues. Be aware of the strengths and weaknesses of various alternative courses of action.
 - v. Recommend a set of actions to resolve the issues.
- 4) More independence and self-direction in your approaches to learning (LO4.3).
- 5) An improvement in teamwork skills (LO4.2).

These learning outcomes concur with the following attributes described in the University of Otago Bachelor of Commerce Graduate Profile: Information literacy (LO1.1), Critical thinking (LO1.2), Specialist (LO2.1) and integrated business knowledge (LO2.2), Written (LO3.1) and oral communication (LO3.2), Teamwork (LO4.2) and Independent learning (LO4.3) (<http://www.otago.ac.nz/business/study/undergraduate/otago033074.html>).

Core topics are: A) Relevant costing, B) Cost - volume - profit analysis, C) Cost allocation, D) Budgeting and standard costing, E) Strategic and behavioural management. Below is a set of learning objectives related to each of these five topics. As you progress through the course, **you should use this set of learning objectives as a "checklist" to gauge your level of understanding and to decide on what further work you must undertake. You should have met all these learning objectives by the end of the course.**

The terms and concepts under these topic headings will arise during the course. **However, every week, you are expected to do a considerable amount of reading on these topics for yourself.** Most readings will be from the required textbook for the course (DR17, see page 7), but for some topics and for the case studies, students will need to research in other cost accounting texts (see Close Reserve in Central Library), management and marketing texts, accounting journals (both hard-copy and e-journals), materials on e-reserve on Blackboard and on the internet. MyAccountingLab (see page 7) is also extremely useful for practice of technical examples and is highly recommended.

USE THE FOLLOWING LIST AS A CHECKLIST

You should ensure that you attend classes, complete course work and read sufficient materials to be able to:

A) Relevant Costing / Accounting Information for Decision-Making

1. Explain the concept of relevant costs and relevant revenues and how this is potentially different from the notion of fixed and variable costs.
2. Explain the importance of the time horizon in decision making and its impact on relevant cost/revenue information (e.g., short term operating decisions versus long term strategic decisions).
3. Explain 'sunk costs' and why they are considered irrelevant to decisions.
4. Explain such terms as 'opportunity costs', 'avoidable costs', 'differential costs' and 'incremental costs'.
5. Understand that accounts drawn up for financial accounting purposes often blend fixed/variable, relevant/irrelevant costs, and therefore cost accounting information for decision-making often needs to be specifically constructed for the decision at hand.
6. Understand how an income statement can be constructed in a variable (or direct) costing format or a full (absorption) costing format, be able to construct either format from a given set of cost data and reconcile any profit differences. Explain how production volume impacts on absorption costing profit.
7. Undertake analysis in typical decisions (e.g. make or buy/outsource, special order, product pricing and profitability, product mix, customer profitability, add/delete product line/department/customer) for which cost accounting information is required.
8. Be aware of the role of 'excess capacity' in decision-making and its significance for cost analysis.
9. Be aware of the need in the long-run to cover all costs, and of the rather imprecise nature of the notion of "short run v long run".
10. Explain and apply the notions of the internal value chain, value-added, product life cycles and product and customer 'life cycle costs'.
11. Understand the concepts of and undertake typical calculations for target pricing and costing, and the cost-plus approach to pricing.
12. Be aware of the limitations of financial analysis for decision-making, and the need to consider other qualitative and strategic factors (see Section E).

B) Cost – Volume - Profit Analysis

1. Explain cost behaviour patterns. Segregate these behaviour patterns into fixed and variable cost components (e.g. use high-low method).
2. Identify relevant ranges of activity.
3. Describe the relationship between relevant range and linear and non-linear relationships.
4. Explain the difference between discretionary fixed costs and committed fixed costs.
5. Understand the cost-volume-profit relationships that exist in a company.
6. Compute (both by formula and graphically) and use breakeven and target profit analysis for one and multiple products.

7. Explain the relationship between the breakeven point and the contribution margin, and how contribution margin differs from gross margin.
8. Understand that even though breakeven analysis is based on rigid limitations, it can result in effective answers without costly analysis.
9. Calculate how a change in such an input value as sales price, sales mix, or costs can influence the breakeven point (sensitivity analysis and uncertainty).
10. Compute and use the margin of safety ratio.

C) Cost Allocation

1. Explain the notions of 'overhead costs', 'indirect costs', 'direct costs', 'traceable costs' and 'allocated costs'.
2. Explain how accountants choose to create 'cost centres' or 'cost pools' in which to gather together cost data.
3. Explain why and how costs may be allocated from one cost pool or centre to another.
4. Calculate allocations of costs from one cost pool to another e.g., single rate versus dual rate, and support department costs to production departments.
5. Understand that there is no 'right way' to collect costs together and then allocate them. Choices are made in defining cost pools, allocation bases, and methods of allocation.
6. Construct 'overhead rates' to allocate costs to products or services.
7. Understand how 'overhead rates' are typically predetermined and calculated based on budgeted costs and activity levels. Understand how different assumptions about capacity (activity level) can be made when calculating 'budgeted overhead rates' and calculate these overhead rates.
8. Account for the differences between 'budgeted overheads' and 'actual overheads'.
9. Understand the specific issues involved in the allocation of joint product costs and be able to calculate allocations using the four typical methods. Analyse when a joint product may be further processed, and explain the difference between joint products and by-products.
10. Understand the notion of 'activity-based costing' (ABC). Calculate allocation bases on the basis of 'cost drivers' and then calculate product/job/service costs. Explain the relationship between ABC and activity-based management (ABM).
11. Understand the potential reasons why (/why not) managers of one department (cost centre) should be held responsible for costs allocated to them from another department.
12. Understand how management behaviour (decision-making) might be affected by the various cost allocation choices accountants make, and the ethical implications of this behaviour.

D) Budgeting and Standard Costing Systems

1. Understand what a budget is, and how static (master) and flexible budgets are constructed.
2. Explain the concepts behind and benefits to be gained from the use of a standard costing system.
3. Describe the procedures involved in establishing standard costs.
4. Explain what variance analysis entails and is intended to measure.
5. Compute both sales (marketing/output) and input (production) variances at the aggregate level.
6. Separate these aggregate variances into their several components (e.g., purchase price variance, efficiency variance, etc.) through the use of both fixed and flexible budgets.
7. Record production variances in the ledger accounts.
8. Explain favourable and unfavourable, over- and under-applied variances, and know how to dispose of them (directly to COGS or by proration)
9. Understand that the real value of a standard costing system begins when the causes of the variances are analysed.

10. Explain how standard costing fits with such modern management practices as JIT, kaizen, lean manufacturing, TQM and benchmarking.
11. Explain the concept of learning curves and their relationship to budgeting and undertake learning curve calculations.
12. Understand how management behaviour might be affected by the processes of planning and budgeting, and the ethical implications of this behaviour.

E) Strategic and Behavioural Management

1. Describe the concept of an organisation and what it does.
2. Be aware of some New Zealand organisations and how cost and management techniques are used within those organisations.
3. Explain the concepts of organisational mission, goals, objectives and strategies and the part which management has to play in their development.
4. Explain the concept of goal congruence.
5. Explain the concept and phases of management control (planning etc).
6. Understand key features of people's behaviour in organisations and how this can impact on organisational effectiveness. This will include an understanding of:
 - a. groups, group norms, group dynamics and teams
 - b. interpersonal communication and relationships, networking and feedback
 - c. leadership and what makes an "effective" leader; transactional and transformational leaders
 - d. motivation ("needs" theories; expectancy theory), performance measurement and incentives.
7. Describe and apply the Boston Consulting Group Market Growth/Market Share Matrix, SWOT analysis and Porter's strategies for competitive advantage.
8. Explain the following marketing and pricing concepts:

a. price leaders	b. price takers
c. commodities	d. premium pricing
e. penetration pricing	f. market skimming
g. product bundling	h. loss leaders
i. product differentiation	j. cannibalization.
k. churn rate	l. customer lifetime value

Teaching Staff

Paper Coordinator

Name: Dr Hoa Luong
 Office: OBS 414
 Email: hoa.luong@otago.ac.nz
 Office Hours: Week (8-13) Tue: 4-5pm; Thu: 3 pm-4 pm

Lecturer

Name: Iki Mafi Uele
 Office: OBS 408
 Email: iki.uele@otago.ac.nz
 Office Hours: Week (1-7) Wed: 10 – 12pm; Thu 10 – 12pm

Iki is going to be the Lecturer and Seminar facilitator of the first half of the semester.
 Hoa is the paper coordinator, lecturer and seminar facilitator of the last half of the semester.

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Course Delivery

Lectures:

Monday: 10 - 10.50 am (1 hour) TBA

Tuesday: 12 - 1.50 pm (2 hours) TBA

Lectures present the key conceptual material with illustrations. Lectures are supported by readings. It is to your benefit that you read the suggested readings and attempt questions before each lecture. Lecture outline will be uploaded prior to the lecture. These are not comprehensive slides and are not substitutes for the lecture.

Seminars: one of the below:

Seminar Stream	Time	Location
A1	Friday 09 – 9:50 am	TBA
A2	Friday 10 – 10:50 pm	TBA
A3	Friday 12 – 12:50 pm	TBA
A4	Friday 1 - 01:50 pm	TBA
A5	Friday 3 - 03:50 pm	TBA
A6	Friday 4 - 04:50 pm	TBA
Online	TBA	Zoom

Seminars are used for practice of further examples related to the lecture content, for discussion of related topics, and for student business case presentations. For best learning, students should attempt the specified questions before coming to the seminar class.

Seminars start in Week 1 of the course. Seminars are as important as the lectures and should not be missed. Students are required to stay in the same stream throughout the course.

Seminar Stream changes: If you have a valid reason to necessitate a seminar stream change (e.g. due to a timetable clash due to late enrolment after formal Course Approval), then email Accountancy Finance accountancyfinance@otago.ac.nz or go to **5th floor OBS reception** between **10 -11am and 2 -3pm each day for the first 2 weeks of semester.** You must provide **changes, paper code and student I.D.** This **must be completed by Wednesday 19th July** as group allocation occurs within the seminars on the 21st July. We intend to keep the number of students in seminar classes balanced so that the groups for group case studies are of suitable size.

If a student misses a class, it is their responsibility to catch up on what happened during the class and take steps to learn the material. All topics covered in the course are potentially examinable.

The **course calendar** details semester dates, lecture and seminar topics, readings, and assessment related scheduling information. Note that this calendar may change as the course proceeds.

Course Learning Resources

Essential Resources

Required Textbook - Datar, S. M., and Rajan, M. (2021). *Horngren's Cost Accounting: A Managerial Emphasis, 17th edition (Global Edition)*, Essex, England, Pearson Education. (=DR17). It is available either as (with estimated price):

- Hard copy (<https://www.pearsoned.co.nz/9781292363073> or University Book shop)
- e-text (<https://www.pearsoned.co.nz/9781292363165>)
- Hard copy + MyAccountingLab access (University Book Shop)
- e-text with MyAccountingLab access (<https://www.pearsoned.co.nz/9781292363226>)

Optional Resource

Recommended: MyAccounting Lab (MAL)

MAL is a computer-based interactive learning and practice set available on <http://www.pearsonmylabandmastering.com>. To access MAL you need a student access code which is available with purchase (see above). The course code is **luong99915**. Full instructions can be found on Blackboard.

If textbook cost is an issue, the prior editions of the textbook will suffice but are not ideal (all readings and exercises will be specified in terms of the pages and exercises in DR17). Also, you will not get access to MyAccountingLab and all its practice examples with a second hand textbook.

Hard copies of the required textbook, the Student Solutions Manual (even-numbered questions) to HDR13 (13th edition, before the advent of MyAccountingLab), a student study guide and a range of other useful cost and management texts are available under Course Reserve at the Central Library.

Blackboard

<https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

Further information about student support, learning support and information, academic integrity and other University resources for students is available on the COMMERCE_UG_2020: Commerce Undergraduate Students site on Blackboard.

Student Webmail

We will use your student email account to email you information relevant to your programme. To forward your University email address to an email address that you use regularly:

1. Log into your StudentMail account (<http://www.otago.ac.nz/smlanding/>) using your student username and password.
2. Click the **Cog** button (top right corner).
3. Click on **Mail** under **Your App Settings**.

4. Under **Accounts** on left hand side, select **Forwarding**.
5. Under the Forwarding heading, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
6. Click the **Save** button.

Assessment

All material presented is examinable (except where stated otherwise) by assignments and the final examination. All-important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Assessment	Due date	% of final grade
Problem x 2	See course calendar (on page 10-11)	16%
Group Case Study – report and presentation	See course calendar	20%
Poster Assignment	See course calendar	9%
Final Exam	TBA	55%
TOTAL		100%

Details of the assessment tasks follow:

1) Two Problems 16%.

The two problem marks will count for **16%** of your total course grade. No assistance will be provided by the ACCT 222 teaching staff (do NOT email them). Students can work together on the solving of the problem, but the submitted problem answer must be the student's own work and typed or handwritten by that student alone. **Late assignments will not be accepted.**

2) Group Case Study 20%.

There is no option with this activity. This consists of:

- Report (10%)
- Presentation (10%)

You will be randomly allocated to a group. Case study requirements are discussed in more detail in the Case Study Approach document on Blackboard.

3) Poster Assignment 9%.

This activity consists of an A3-size poster profiling a New Zealand business in relation to the topics discussed in ACCT 222 this semester. You will be randomly allocated to one of industry. From this industry you will identify a New Zealand business currently operating in this industry. Poster details and submission requirements are discussed in more detail in the Poster Assignment document on Blackboard. **Late assignments will not be accepted.**

4) Final Exam 55%.

3 hours long consisting of 4 questions. Further details will be provided one month before the examination. You will be provided with a formula sheet. Only the List A University approved calculators (**Casio FX82, Casio FX100, Casio FX570, Casio FX95 and Sharp EL531**) are allowed to be used in the ACCT 222 final examination.

Other requirements:

Signed Declaration Sheet: All assessed work **must have a signed Declaration Sheet** stapled or glued to the assignment. If there is no declaration sheet, the submitted work will **NOT** be marked. The Declaration Sheet for individual and group are found on Blackboard.

Referencing Style and Style Guide: For this paper any of the referencing style listed on the University Library website - Style guides is accepted:
<http://www.otago.ac.nz/library/quicklinks/citation/index.html>

Records of internal assessment: internal assessment grades will be entered on EVision throughout the course. You should check that the recording of your marks is correct. If there are any problems with the recording, please see the Course Coordinator as soon as possible. Please retain all your assessed pieces of work throughout the semester, so that you can verify your marks should any problems occur.

Course Requirements

To successfully complete the course, **a student must achieve at least 45% on the final exam. Exceptional internal marks will not be used to cross-subsidise poor final examination performance. If students achieve less than 45% in the final exam but their calculated course marks are greater than 50% then they will still fail the course and this will designated by the words "Failed compulsory assessment" on their final course results.**

In our experience, failure of the course is usually due to failure to achieve the minimum mark on the exam, not poor internal assessment marks. Usually around 75% of students pass ACCT 222.

Terms requirements:

To be eligible to sit the final exam, students must have:

- 1) Participated in group case study report and presentation;
- 2) Attended at least 3 of the other presentations that they do not present.

Learning Outcomes

Learning Outcome	Three weekly problems	Group Business case (presentation & report)	Poster Assignment	Exam	Total
1) An understanding of and ability to calculate and apply specified costing techniques	√	√		√	
2) Understanding of the interrelationship of these costing techniques with other business functions		√	√	√	
3) Problem-framing and analytical skills, information seeking and retrieval skills, problem-solving skills.	√	√	√	√	
4) More independence and self-direction in your approaches to learning.		√	√		
5) An improvement in teamwork skills		√			
Total	16%	20%	9%	55%	100%

Course Calendar

Readings are from DR17 unless otherwise specified

	Week	Monday lecture	Tuesday lecture	Friday seminar	Assessment Tasks
1	Mon 10 July	Introduction to Cost and management accounting Reading: Chap 1	1. Cost terms 2. Decision making and relevant information Reading: Chaps 2, 12	No Seminar due to the NZ Matariki Holiday	"What do I know already?" Self-test Quiz 1 (answers on Blackboard)
2	Mon 17 July	Determining how costs behave: cost function Reading: Chap 10	Cost - Volume - Profit and sensitivity analysis Reading: Chap 3	1. Group allocation 2. Industry allocation 3. Group discussion in preparation for case study: TQM, kaizen, benchmarking, product lifecycles, BCG and SWOT Reading: pg 25, 236, 280-82, Blackboard / internet	
3	Mon 24 July	Job/product costing Reading: Chap 4	Job/product costing (cont.) Reading: Chap 4	Business case study approach Sample case: Craddock Cup	Problem 1 released on Tue and due on Friday
4	Mon 31 July	Activity based costing Reading: Chap 5	1. Activity based costing (cont.) 2. Customer profitability analysis Reading 1: Chaps 5,15	Case study: Breedon Electronics A	
5	Mon 7 Aug	Allocation of support department cost Reading: Chap 16	Allocation of support department cost (cont.) Reading: Chap 16	Practice: Costing methods	Problem 2 released on Tue and due on Friday
6	Mon 14 Aug	Strategy and pricing decisions Reading: Chap 13,14	Strategy and pricing decisions (cont.) Reading: Chap 13,14	Practice: Strategy and pricing decisions	
7	Mon 21 Aug	Cost allocation: joint products and by-products Reading: Chap 17	Cost allocation: joint products and by-products (cont.) Reading: Chap 17	Case study 1: Group 1	Case report due on Friday
Mid Semester Break 28 August – 1 September					

8	Mon 4 Sep	Budgeting: flexible budgets and direct-cost variances Reading: Chaps 6,7	Budgeting: flexible budgets and direct-cost variances (cont.) Reading: Chap 7	Case study 2: Group 2	Case report due on Friday "What do I know already?" Self-test Quiz 2 (answers on Blackboard)
9	Mon 11 Sep	Budgeting: flexible budgets and overhead cost variances Reading: Chap 8	Budgeting: flexible budgets and overhead cost variances Reading: Chap 8 continued	Case study 3: Group 3	Case report due on Friday
10	Mon 18 Sep	Budgeting: proration of overhead cost variances Reading: Chap 4	Sales variances Reading: Chaps 15	Case study 4: Group 4	Case report due on Friday
11	Mon 25 Sep	Determining how costs behave: Learning curves Reading: Chap 10	Inventory management: Just-in-time Reading: Chap 21	Case study 5: Group 5	Case report due on Friday
12	Mon 2 Oct	Inventory costing Reading: Chaps 9	Life cycle costing Reading: Chaps 14	Case study 6: Group 6	Case report due on Friday
13	Mon 9 Oct	Management control, performance measurement and incentives Reading: Chaps 20,23,24	Management control, performance measurement and incentives (cont.) Reading: Chaps 20, 23, 24	Practice: Management control, performance measurement and incentives	Poster assignment due on Friday

Lectures End Friday 13 October 2023
University Exam Period 18 October – 11 November 2023

Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.