

COST ACCOUNTING

Degree in Finance

Code: 12011

Main Scientific Area: Cost and Management Accounting

Lecturer: Sílvia Monteiro Borges Sequeira

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 90h Total Workload: 134h

ECTS: 8,0

Objectives

This course unit aims to supply a theoretical and practical framework of the Analytical or Cost Accounting, particularly their pursued objectives and the way to reach them, as well as of the different costing systems that exist, highlighting the need to implement an Analytical Accounting for a more appropriate assessment of the results for each period, and also for the analysis of the cost-volume-profit relationship. The purpose is also to study the key aspects of the accounting information needed to manage organizations, focusing on the calculation of the production costs of products or services through the establishment of methods for job-order costing and process costing, making use of the actual data or theoretical data, in particular Standard Costs. Moreover, this course unit is intended to provide an overview of the design of cost accounting systems, specifically the monist and dualist systems

Learning Outcomes

The aim of this course is the thorough study of management tools at the level of cost accounting. Students are supposed to acquire the following skills: Recognize and apply the fundamental cost accounting concepts and related terminology; Understand how cost accounting fits into an organization's structure; Show the difference between financial and cost accounting; Illustrate basic cost accounting procedures and identify/know/determinethe various components of cost; Distinguish between the basic types of cost accounting systems; Understand the cost production estimation process.

Course Contents

I – INTRODUCTION 1.1 Cost Accounting as a management tool 1.2 Definition, scope, objectives and characteristics of Cost Accounting 1.3 Economic and financial terms: costs, expenses, payments, losses, income, revenues, receipts and gains II – COSTS: RECLASSIFICATIONS, CONCEPTS, HIERARCHY AND COST ANALYSIS OF VARIOUS TYPES OF RESULTS 2.1 Manufacturing and Non-manufacturing costs 2.2 Direct and Indirect costs 2.3 Real and theoretical costs 2.4 Fixed, Variable and Semi-Variable costs 2.5 Controllable and Noncontrollable costs 2.6 Relevant and Irrelevant Costs 2.7 The hierarchy of costs 2.8 Gross, net and pure profits 2.9 Product costs and period costs 2.10 Analytical Income Statement by Functions: scope and legal framework III – CATEGORIES OF MANUFACTURING COSTS 3.1 Direct Material Costs 3.2 Direct Labor Costs 3.3 Manufacturing overheads 3.4 The cost of completed production and non-completed production IV – METHODS USED FOR ANALYSIS AND COST ASSIGNMENT 4.1 The process of assigning manufacturing overheads 4.1.1 Cost allocations 4.1.2 Allocation base or cost driver 4.1.3 Single and multiple allocation base 4.1.4 Theoretical shares: ordinary and ideal shares 4.2 Cost Centers 4.2.1 Cost centers and responsibility centers 4.2.2 Homogeneous Sections Method 4.2.2.1 Definition 4.2.2.2 Objectives 4.2.2.3 Selection of an allocation base 4.2.2.4 Characteristics of the method 4.2.2.5 Cost of main and auxiliary sections 4.2.2.6 The auxiliary sections with simple and reciprocal benefits 4.2.2.7 Assigning cost center overheads to products 4.2.2.8 Costs estimation sheets V – COSTING METHODS AND COST ALLOCATION 5.1 Real and theoretical costing methods 5.1.1 Full Costing 5.1.2 Variable Costing 5.1.3 Rational Costing 5.2 Costing methods: a comparison of their impact on profits VI – COST - VOLUME – PROFIT ANALYSIS 6.1 Introduction to the

topic 6.2 Analysis of Break-even point 6.2.1 Definition of Break-even point 6.2.2 Assumptions of the analysis 6.2.3 Contribution or Coverage Margin 6.2.4 Determining the Break-even point in terms of Quantity 6.2.5 Determining the Break-even point in terms of Value 6.3 Graphical Analysis 6.3.1 Graphical Analysis of the Break-even point 6.3.2 Graphical Analysis of the unit Costs and Incomes 6.3.3 Graphical analysis of the contribution margin 6.4 Margin of Safety 6.4.1 Concept of Margin of Safety 6.4.2 Margin of Safety in Quantity 6.4.3 Margin of Safety Value 6.4.4 Margin of Safety in Percentage 6.4.5 Graphical Analysis of the Safety Margin 6.5 Sensitivity analysis to parameters: Implications for the Break-even point 6.5.1 Effects of a change in Fixed Costs 6.5.2 Effects of a change in Sales price 6.5.3 Effects of a change in variable costs per unit 6.6 Some Limitations of Cost-Volume-Profit analysis VII – DETERMINING THE COST OF PRODUCTION AND PRODUCTION SYSTEMS 7.1 The industrial and manufacturing systems 7.2 Calculating Costs by Job-Orders (Direct Method) 7.2.1 Characteristics of the method 7.2.2 Application of the method 7.3 Calculating Costs by Process or Phases (Indirect method) 7.3.1 Characteristics of the method 7.3.2 Application of the method 7.3.3 Equivalent Units Method 7.3.4 Evaluation of the production in process of being manufactured 7.4 The Joint Production 7.4.1 Definition of the Concept 7.4.2 Description of Joint Products: Co-Products, Core Products and Wastes 7.4.3 Joint Costs versus Specific costs 7.4.4 Methods for the allocation of joint costs for co-products or main products 7.4.5 Criteria for the valuation of wastes 7.4.6 The non-relevance of joint costs for the decisionmaking process 7.5 The Defective Production/Wastes 7.5.1 Characterization 7.5.2 Costing 7.5.2.1 Faulty production due to “normal causes” 7.5.2.2 Faulty production due to “accidental causes” VIII – THE STANDARD COSTS 8.1 Real Costing versus Theoretical Costing 8.1.1 Characterization, uses, scope and objectives 8.1.2. Types of Theoretical Costs 8.2 The Standard Costing 8.2.1 Conditions for its calculation 8.2.2 Characterization and uses of standard costs as a management tool for planning and control 8.3 Analysis and calculation of variances in manufacturing costs 8.3.1 Analysis and calculation of direct material variances 8.3.2 Analysis and calculation of workmanship costs variances 8.3.3 Analysis and calculation of manufacturing overheads variances IX– BUDGET MANAGEMENT 9.1 Main concepts: plans, programs and budgets 9.2 Objectives of the Budget 9.3 Characteristics of the Budget 9.4 Advantages and Disadvantages in the use of budgets 9.5 Types of Budgets 9.6 Budgeting Techniques 9.6.1 Fixed Budget 9.6.2 Flexible Budget X – DESIGN OF COST ACCOUNTING SYSTEMS 10.1 Organization of Cost Accounting Systems 10.1.1 Definition of Cost Accounting Subsystems 10.1.2 Definition of the fundamental accounts 10.2 Coordination of General Accounting with Cost Accounting 10.2.1 Monist Systems 10.2.2 Dualist Systems 10.3 Scope and Handling of the main accounts within the dualist accounting system

Recommended Bibliography

Burns, J.; Quinn, M.; Warren, L. Oliveira, J. (2013). Management Accounting, London: McGraw-Hill. CAIADO, A. (2020). Contabilidade Analítica e de Gestão, Lisboa: Áreas Editora. CAIADO, A.; CABRAL, J. (2006). Casos Práticos de Contabilidade Analítica, Lisboa: Áreas Editora. Coelho, M.H. (2012). Contabilidade Analítica e de Gestão, Lisboa: Almedina. Coelho, M.H. (2019). Contabilidade Analítica: Cálculo e análise de custos para a gestão. Porto: Vida Económica. Cruz, I., Coimbra, C., Abrantes, L., Alves, M.C., Quesado, P. (2023). Contabilidade de Gestão Avançada. Coimbra: Almedina. Drury, C. (2021). Management and Cost Accounting, Cengage Learning. FERREIRA, D.; CALDEIRA, C.; ASSEICEIRO, J.; VIEIRA, J.; VICENTE, C. (2019a). Contabilidade de Gestão - Estratégia de Custos e Resultados: Cost and Management Accounting, Lisboa: Rei dos Livros. FERREIRA, D.; CALDEIRA, C.; ASSEICEIRO, J.; VIEIRA, J.; VICENTE, C. (2019b). Contabilidade de Gestão - Estratégia de Custos e Resultados: Advanced Management and Managerial Accounting, Lisboa: Rei dos Livros. FRANCO et al. (2009). Temas de Contabilidade de Gestão: Os Custos, os Resultados e a Informação para a Gestão, Lisboa: Livros Horizonte. Franco et al. (2007). Temas de Contabilidade de Gestão: Gestão Orçamental e Medidas Financeiras de Avaliação do Desempenho, Livros Horizonte, 2.^a Edição, Lisboa. Nabais, C.; Nabais, F. (2016). Prática de Contabilidade Analítica e de Gestão, Lisboa: Lidel – Edições Técnicas SARAIVA, A.; RODRIGUES, A. I.; COIMBRA, C.; FANTASIA, M.; NUNES, R. (2018). Contabilidade de Gestão: Cálculo de Custos e Valorização de Inventários. Coimbra: Almedina

Learning and Teaching Methods

The growing importance of cost accounting for organizations, and the recognized need to make timely and appropriate decisions justify the insertion of the first chapter of the program to be seized the grounds for the course. In order to understand what the main types of costs included in the program is the second chapter on the

reclassification of costs and analysis of various types of results. The chapters III, IV, V and VI respond to the last proposed objectives relating to the need to understand the application of cost accounting in organizational structure, to illustrate the basic procedures at the level of cost accounting and to distinguish the different types of systems and methods of cost allocation. The chapter VII of the program meets the objectives: to understand the application of cost accounting in organizational structure and process of estimating the cost of production in accordance with the system of manufacture; The VIII and IX chapters are consistent with the need to calculate and analyze the various variances in the production. The last chapter was set to meet in order to conceptualize a cost accounting system for organizations.

Assessment Methods

The evaluation of the course unit (UC) will be continuous and periodic and will include three assessment elements at three grading moments:

Average of the 1st and 2nd tests with a weight of 85% in the final grade, with 15% from the final work or a 50+10 project.

The minimum grade in each of the tests is 8 points. However, the final grade will result from 85% of the weighted average of the two tests and 15% from the final work or 50+10 project, on a scale of 0 to 20 points.

According to the regulations, students who do not pass the UC in continuous and periodic assessment must be subjected to a final exam assessment, which consists of conducting a comprehensive written exam with a weight of 85% in the final grade, with 15% in the project 50+10 or final work.

In the special exam period, the exam grade will account for 100% of the final grade. The use of graphic calculators or mobile phones is not allowed during written exams.