

COST ACCOUNTING

Code: 17500

Main Scientific Area: Cost and Management Accounting

Lecturer: Verónica Paula Lima Ribeiro

Language of Instruction: Portuguese

Regime: S1

Contact Hours: 60h Total Workload: 108h

ECTS: 6,0

Objectives

Considering that graduate students in Management should exercise management functions at the highest level in organizations, it is crucial for them to acquire knowledge in the area of analytical and cost accounting. The aim is to provide the necessary knowledge to understand the basic concepts and existing models of analytical accounting, the role of cost accounting system to support the decision-making process.

This course unit aims to supply a theoretical and practical framework of the Analytical or Cost Accounting, 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 for the analysis of the cost-volume-profit relationship. It is also intended to provide students with the study of the essential aspects of accounting information required for the management of organizations, focusing on the main tools of Management Accounting.

Learning Outcomes

Students are supposed to acquire the following knowledge and skills:

- Understand the basics of cost accounting;
- Understand the role of cost accounting system to support the decision making process;
- Analysis and interpretation of the income statement by function;
- Understand the main components of the calculation of production/provision costs of goods and services (materials, labour, indirect costs);
- Understand the existing models of costs calculation and the various costing systems, and the main differences between them;

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 Non-controllable 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

4.3 Activity-Based Costing (ABC)

4.3.1 Reasons for using the model

4.3.2 Model foundations

4.3.3 Definition and characterization of the Activities 5.3.4 Cost Drivers 4.3.5 The ABC system and the Homogeneous Sections Model – the continental European perspective

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 Calculation of Breakeven for Multiple Products

6.6.1 Sales Amount

6.6.2 Higher Margins

6.6.3 Sales Mix

6.7 Analysis of the Break-even point with Scarce Resources

6.8 Some Limitations of Cost-Volume Profits analysis

Recommended Bibliography

Burns, J.; Quinn, M.; Warren, L. Oliveira, J. (2013). Management Accounting, McGraw-Hill.

CAIADO, A. (2015). Contabilidade Analítica e de Gestão, Áreas Editora, Lisboa.

CAIADO, A.; CABRAL, J. (2006). Casos Práticos de Contabilidade Analítica, Áreas Editora, Lisboa.

CARVALHO, H.; MAJOR, M. (2009). Activity-Based Costing: Implementação num Banco Português. Escolar Editora, Lisboa.

Coelho, M. (2012). Contabilidade Analítica e de Gestão, Lisboa: Almedina.

Drury, C. (2012). Management and Cost Accounting, Cengage Learning.

Ferreira, D.; Caldeira, C.; Asseiceiro, J.; Vieira, J.; Vicente, C. (2016). Contabilidade de Gestão: Estratégia de Custos e de Resultados – Casos Práticos, Lisboa: Rei dos Livros.

FRANCO et al. (2009). Temas de Contabilidade de Gestão: Os Custos, os Resultados e a Informação para a Gestão, Livros Horizonte, Lisboa.

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Saraiva, H., Quesado, P. (2023). Sistemas de Custeio Tradicionais na Contabilidade de Gestao. In A. Silva, H. Oliveira (Eds.), Contabilidade de Gestao para a Tomada de Decisao (pp. 109-125), Quantica Editora.

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. To understand what the main types of costs included in the program is presented the second chapter on the reclassification of costs and analysis of various types of results. The remaining chapters 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 and management accounting tools.

Assessment Methods

Students will be submitted to a continuous evaluation. The final classification will be the result of the following components:

- 1st test, with a weight of 20% for the final grade.
- 2nd and 3rd final tests, with a weighting of 40% (each) for the final grade and with a minimum grade of 7 points.

For the approval of the curricular unit, it is a condition that in the 2 last tests the student obtains at least 7 points and that the final weighted average of the 3 elements of evaluation is greater than, or equal to, 9,5 points (on a scale of 0 to 20 points).

When students have not approval in the continuous evaluation, they will have to do a final examination at the seasons of the 1st semester exams. In the exams season, the final classification will be the global result of the written examination.

For the other seasons of exams, the final grade weights as the final exam * 100%

Regardless the type of evaluation (continuous or final exam), the approval in this course unit requires a minimum rounded grade of 10, in a scale ranging from 0 to 20.

Note: It is not allowed to use mobile phones or graphics machines or smartwatch, whatever their purpose, during the evaluation tests/exams.