

COST ACCOUNTING I

Degree in Taxation

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Code: 17504

Main Scientific Area: Cost and Management Accounting

Lecturer: Jorge Humberto Mesquita Areal

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 60h Total Workload: 108h

ECTS: 6,0

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

Learning Outcomes

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; Illustrate basic cost accounting procedures; Distinguish between the basic types of cost

accounting systems.

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 No 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

4.3.4 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

5.1.4 Direct Costing

5.1.5. Theoretical 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 et al (2013). Management Accounting, McGraw-Hill, Boston. Caiado, António Campo
- Pires (2015). Contabilidade Analítica e de Gestão, Áreas Editora, 8ª edição, Lisboa. Caiado, António Campos Pires;
- Cabral, Joaquim Viana. (2006). Casos Práticos de Contabilidade Analítica, Áreas Editora, 2.ª Edição, Lisboa.
- Coelho, Maria Hélder (2012). Contabilidade Analítica e de Gestão, Almedina, Lisboa. COKINS, G.; JURAS, P.;
- DAVID, S.; BLOCHER, E. (2016). Cost Management: A Strategic Emphasis. UK: McGrawHill. DRURY, C.
- (2018). Management Cost Accounting. UK: Cengage Learning. FERREIRA, D.; CALDEIRA, C.; ASSEICEIRO, J.;
- VIEIRA, J.; VICENTE, C. (2019). Contabilidade de Gestão - Estratégia de Custos e Resultados: Cost

and Management Accounting. Lisboa: Rei dos Livros. Ferreira, Domingos; Caldeira, Carlos; Asseiceiro, João; Vieira, João; Vicente, Célia. (2014). Contabilidade de Gestão: Estratégia de Custos e de Resultados, Rei dos Livros, Lisboa. Ferreira, D.; Caldeira, C.; Asseiceiro, J.; Vieira, J.; Vicente, C. (2016). Contabilidade de Gestão: Estratégia de Custos e de Resultados – Casos Práticos, Vol. I e Vol. II, 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, 2.^a Edição, Lisboa. 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 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.

Assessment Methods

The evaluation of the UC is the continuous and periodic evaluation regime and includes two tests:

1st test with a 50% weight of the final grade (minimum classification 8)

2nd test with a 50% weight of the final grade (minimum classification 8)

The final classification result of the weighted average of the two tests, and the minimum (rounded) approval to UC equal to 10 on a scale of 0 to 20.

According to the RIAPA - ESG, students who do not pass the UC, in the system of continuous and periodic assessment, will have to undergo evaluation by final exam, which consists of conducting a comprehensive written assessment test, with a weighting 100% of the final grade, which will take place at the time of the 2nd semester exams or special time.