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, objectivesand characteristics of Cost Accounting

1.3 Economic and financial terms: costs, expenses, payments, losses,income, revenues, receipts and gains.

II – COSTS: RECLASSIFICATIONS, CONCEPTS, HIERARCHY ANDCOST ANALYSIS OF VARIOUS TYPES OF RESULTS

2.1 Manufacturing and Non-manufacturing costs

2.2 Directand Indirect costs

2.3 Real and theoretical costs

2.4 Fixed, Variable and Semi-Variable costs

2.5 Controllableand No controllable costs

2.6 Relevant and Irrelevant Costs

2.7 The hierarchy of costs

2.8 Gross, net and pureprofits

2.9 Product costs and period costs

2.10 Analytical Income Statement by Functions: scope and legalframework

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 manufacturingoverheads

4.1.1 Cost allocations

4.1.2 Allocation base or cost driver

4.1.3 Single and multiple allocation base

4.1.4Theoretical 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 sectionswith simple and reciprocal benefits

4.2.2.7 Assigning cost center overheads to products

4.2.2.8 Costs estimationsheets

4.3 Activity-Based Costing (ABC)

4.3.1 Reasons for using the model

4.3.2 Model foundations

4.3.3Definition and characterization of the Activities

4.3.4 Cost Drivers

4.3.5 The ABC system and the HomogeneousSectionsModel – the continental European perspective

V – COSTING METHODS AND COST ALLOCATION

5.1Real and theoretical costing methods

5.1.1 Full Costing

5.1.2 Variable Costing

5.1.3 Rational Costing

5.1.4 DirectCosting

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 ofBreak-even point

6.2.2 Assumptions of the analysis

6.2.3 Contribution or Coverage Margin

6.2.4 Determining theBreak-even point in terms of Quantity

6.2.5 Determining the Break-even point in terms of Value 6.3 GraphicalAnalysis

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

6.4.2Margin of Safety in Quantity

6.4.3 Margin of Safety Value

6.4.4 Margin of Safety in Percentage

6.4.5 GraphicalAnalysis of the Safety Margin

6.5 Sensitivity analysis to parameters: Implications for the Break-even point

6.5.1Effects of a change in Fixed Costs

6.5.2 Effects of a change in Sales price

6.5.3 Effects of a change in variablecosts per unit

6.6 Calculation of Breakeven for Multiple Products

6.6.1 Sales Amount

6.6.2 Higher Margins

6.6.3Sales Mix

6.7 Analysis of the Break-even point with Scarce Resources 6.8 Some Limitations of Cost-VolumeProfits 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.

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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 timelyand appropriate decisions justify the insertion of the first chapter of the program to be seized the grounds forthe course.

In order to understand what the main types of costs included in the program is the second chapter onthe reclassification of costs and analysis of various types of results.

The remaining chapters respond to thelast proposed objectives relating to the need to understand the application of cost accounting inorganizational structure, to illustrate the basic procedures at the level of cost accounting and to distinguish thedifferent 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:

1th test witha 50% weigh of the final grade (minimum classification 8)

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

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

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