



This course supports the assessment for Cost and Managerial Accounting. The course covers 3 competencies and represents 3 competency units.

Introduction

Overview

The Cost and Managerial Accounting course will cover managerial accounting as part of the information managers' use for planning and controlling operations. It prepares students to consider cost behavior and employ various cost methods. Job-order costing, process costing, and activity-based costing methods will be covered, along with cost–benefit analysis, standard costing, variance analysis, and cost reporting.

Getting Started

Welcome to Cost and Managerial Accounting! This course uses McGraw-Hill LearnSmart and Connect. In LearnSmart, you can alternate between reading text and answering questions about the reading. The interspersed questions will focus your studying on the important concepts and help you to store this information effectively in your memory. If you need help learning to use LearnSmart, click on the “Show coach” icon in the lower right-hand corner of the LearnSmart screen. Connect activities include practice assignments, quizzes, guided example videos, and tests to help you practice retrieving and applying your knowledge. You will need a financial calculator or access to spreadsheet software, such as Microsoft Excel, for computational problems throughout this course. It is recommended that you complete the topics in the order listed in the pacing outline. Competency will be demonstrated by the successful completion of an objective assessment.

Watch the following video for an introduction to this course:

Note: To download this video, right-click the following link and choose "Save as...": [download video](#).

Competencies

This course provides guidance to help you demonstrate the following 3 competencies:

- **Competency 3033.1.1: Applying Cost Methods**
The graduate applies appropriate cost methods to various production scenarios in order to accurately account for costs of a product or service.
- **Competency 3033.1.2: Decision Making**
The graduate performs cost–benefit analyses for decision making.
- **Competency 3033.1.3: Budgets and Performance Evaluation**
The graduate prepares various forms of operating budgets, including a flexible budget system for planning and evaluating the performance of business segments.

Course Instructor Assistance

As you prepare to successfully demonstrate competency in this subject, remember that course



instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies and troubleshoot areas of deficiency. Even if things don't work out on your first try, course instructors act as a support system to help you prepare for another attempt. You should expect to work with course instructors for the duration of your coursework, and you are encouraged to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources

The learning resources listed in this section are required to complete the activities in this course. For many resources, WGU has provided automatic access through the course. However, you may need to enroll manually or acquire other resources independently. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

You can access the learning resources listed in this section by clicking on the links provided throughout the course. You may be prompted to log in to the WGU student portal to access the resources.

Mcgraw-Hill Connect

McGraw-Hill Connect is a web-based assignment platform that allows students to pre-assess their knowledge of the subject matter through completing LearnSmart and Connect activities, reading the online textbook, watching chapter videos, completing homework assignments, and taking quizzes. Students are required to click on the chapter and the appropriate links to perform each task.

Connect practice assignments and quizzes have learning features to assist you as you complete the activities. The "Hint" feature provides a guided example video. The "eBook & Resources" feature directs you to the related section of the text. You can access these features directly below each question.

The "Guided Example Videos" section of Connect includes video examples related to each chapter.

Textbooks

- Garrison, R., Noreen, E., & Brewer, P. (2015). *Managerial Accounting* (15th ed.). New



York: McGraw-Hill Education. ISBN: 978-0-07-802563-1

Minimum Technical Requirements

Obtain a Calculator

You will need a financial calculator or access to spreadsheet software, such as Microsoft Excel, for computational problems throughout this course. The recommended financial calculator is the Texas Instruments BA-II Plus. You may only use an approved financial calculator during the pre-assessment and assessment for this course. You are unable to use Excel during the assessments.

Pacing Guide

The pacing guide suggests a weekly structure for completing your learning activities. It does not represent a mandatory schedule. Following the pacing guide carefully will help you complete the course in the suggested timeframe.

Week 1

- Preparing for Success
- Managerial Accounting Cost Concepts
- Job-Order Costing
- Process Costing

Week 2

- Activity-Based Costing (ABC)
- Cost-Volume-Profit Relationships

Week 3

- Variable Costing
- Differential Analysis and Decision-Making

Week 4

- Preparing a Master Budget and Flexible Budget
- Flexible Budgets and Performance Evaluation

Week 5

- Standard Cost and Variances
- Performance Measurement in Decentralized Organizations

Week 6

- Final Steps



Note: This pacing guide does not replace the course. Please continue to refer to the course for a comprehensive list of the resources and activities.

The Student Success Center

The Student Success Center provides support and information on learning styles, study and test-taking strategies, time- and stress-management strategies, computer skills, and many other important academic skills. If you would like to work with a Student Success mentor to improve your academic skills, please contact the SSC at studentsuccess@wgu.edu or visit the [Student Success Center](#) website.

Applying Cost Methods

These topics introduce the role of managerial accounting, how costs in both a manufacturing and service firm are classified, and then goes in depth on the three most widely used costing systems: job-order costing, process costing, and activity-based costing.

Managerial Accounting and Cost Concepts

This topic will introduce how costs may be classified in managerial accounting and discuss the impact these classifications have on both decision making and financial statements.

This topic addresses the following competency:

- **Competency 3033.1.1: Applying Cost Methods**

The graduate applies appropriate cost methods to various production scenarios in order to accurately account for costs of a product or service.

This topic highlights the following objectives:

- Describe cost classifications.
- Prepare income statements for a merchandising company using the traditional and contribution formats.
- Define cost classifications used in making decisions.

Read: Chapter 1 Managerial Accounting: An Overview

Chapter 1 reviews accounting concepts that you've learned before. Skim chapter 1, paying particular attention to Exhibit 1-1: Comparing Financial with Managerial Accounting.

Skim the following in *Managerial Accounting*:

- [Chapter 1 Managerial Accounting: An Overview](#)

Reflect on question 1-1 on page 19 to describe the specific role of managerial accounting.

Read: Chapter 2 Managerial Accounting and Cost Concepts

Chapter 2 focuses on the different types of cost classifications and income statement formats. Read this chapter carefully, especially exhibit 2-9 on page 44: Comparing Traditional and Contribution Format Income Statements for Merchandising Companies, which illustrates the classifications. You may want to copy this in your notes to refer to later.



Read the following in *Managerial Accounting*:

- [Chapter 2 Managerial Accounting and Cost Concepts](#)

Watch: Videos on Cost Classification

The following videos demonstrate how the cost classifications are recorded. The videos are located below the links for each chapter. Watch the following videos in [McGraw Hill Connect](#):

- Guided Example 2-4
- Guided Example 2-6
- Guided Example 2-8

Practice

These practice exercises will help you to determine various cost classifications for managerial accounting purposes.

Complete the following activities in [Connect](#):

- Chapter 2 Practice
- Chapter 2 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 2 test. The timed version will provide practice for taking tests with a time constraint and help prepare you for the course pre-assessment and objective assessment.

Job-Order Costing

This topic covers when job-order costing is used and how the three manufacturing costs—direct labor, direct materials, and manufacturing overhead—are calculated to determine cost of goods manufactured on both a total and per unit basis.

This topic addresses the following competency:

- **Competency 3033.1.1: Applying Cost Methods**
The graduate applies appropriate cost methods to various production scenarios in order to accurately account for costs of a product or service.

This topic highlights the following objectives:

- Identify various products and services that use job-order costing.
- Describe the types of costs included in job order costing.
- Calculate a predetermined overhead rate.
- Calculate the applied manufacturing overhead.
- Calculate the total cost and the per-unit cost of a job.
- Calculate underapplied or overapplied overhead.
- Prepare a journal entry to close out under- or overapplied overhead.
- Calculate the manufacturing cost.



- Calculate the cost of goods manufactured for an income statement.
- Calculate the cost of goods sold in an income statement.

Read: Chapter 3 Job-Order Costing

Read Chapter 3 Job-Order Costing. Pay particular attention to these major concepts:

- When job-order costing is appropriate
- The three broad cost categories:
 - direct materials
 - direct labor
 - manufacturing overhead
- The difference between a traditional income statement and a contribution format statement

Read the following in *Managerial Accounting*:

- [Chapter 3 Job-Order Costing](#)

Practice

These practice exercises will enable you to apply your knowledge of using job-order systems to calculate costs.

Complete the following activities in [Connect](#):

- Chapter 3 Practice
- Chapter 3 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 3 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Process Costing

Process costing differs from job-order costing and is used in different types of businesses. In this topic you will learn when process costing is suitable and then calculate total product costs and per equivalent unit costs using process costing.

This topic addresses the following competency:

- **Competency 3033.1.1: Applying Cost Methods**
The graduate applies appropriate cost methods to various production scenarios in order to accurately account for costs of a product or service.

This topic highlights the following objectives:

- Identify various products that use process costing.
- Explain how various costs are treated differently in job-order costing versus process



costing.

- Calculate the number of equivalent units.
- Calculate the cost per equivalent unit.
- Calculate the total cost of ending work in progress and goods transferred out.
- Prepare a cost reconciliation report.

Read: Chapter 4 Process Costing

Chapter 4 clarifies the characteristics and requirements for process costing.

Read the following in *Managerial Accounting*:

- [Chapter 4 Process Costing](#)

Practice: Distinguishing Job-Order and Process Costing

Apply your knowledge of the differences between job-order and process costing and the journal entries in a process costing system by reflecting on the following questions at the end of chapter 4 in the e-text. The Guided Example videos can help if you have trouble:

- [Chapter 4 Process Costing](#)
 - Question 4-1 on page 159 of the e-text
 - Question 4-2 on page 159 of the e-text
 - Question 4-5 on page 159 of the e-text
 - Question 4-6 on page 159 of the e-text

Practice

These practice exercises will enable you to apply your knowledge of process costing.

Complete the following activities in [Connect](#):

- Chapter 4 Practice
- Chapter 4 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 4 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Activity-Based Costing (ABC)

Activity-based costing (ABC) is a costing method that is designed to provide managers with cost information for strategic and other decisions that potentially affect capacity and therefore have “fixed” as well as variable costs. Activity-based costing is ordinarily used as a supplement to a company's usual costing system. Most organizations that use activity-based costing have two costing systems—the official costing system that is used for preparing external financial reports and the activity-based costing system that is used for internal decision making and for managing activities.

This topic addresses the following competency:



- **Competency 3033.1.1: Applying Cost Methods**

The graduate applies appropriate cost methods to various production scenarios in order to accurately account for costs of a product or service.

This topic highlights the following objectives:

- Identify when it is appropriate to use activity-based costing.
- Assign costs to cost pools.
- Calculate activity rates per pool.
- Assign overhead costs to cost objects.

Read: Chapter 7 Activity-Based Costing: A Tool to Aid Decision Making

Activity-based costing is an efficient tool to better allocate overhead to products. When reading this chapter, be sure and focus on how the various cost drivers are determined and then used to allocate overhead costs.

Read the following in *Managerial Accounting*:

- [Chapter 7 Activity-Based Costing: A Tool to Aid Decision Making](#)

Reflect on question 7-1 on page 315 to distinguish activity-based costing from traditional costing.

Practice

These practice exercises will enable you to apply your knowledge of activity-based costing.

Complete the following activities in [Connect](#):

- Chapter 7 Practice
- Chapter 7 Quiz

Decision Making

Managers use cost accounting information to make a variety of decisions. In this section we will look at how we can use cost accounting to make decisions regarding break-even points, at what level of sales a desired profit will be realized, and determine if we should continue the production and sale of various products.

Cost-Volume-Profit Relationships

In this topic we will see how cost-volume-profit (CVP) analysis helps managers make many important decisions, such as what products and services to offer, what prices to charge, what marketing strategy to use, and what cost structure to maintain. Its primary purpose is to estimate how profits are affected by changes in sales and the mix of fixed and variable costs.

This topic addresses the following competency:

- **Competency 3033.1.2: Decision Making**



The graduate performs cost–benefit analyses for decision making.

This topic highlights the following objectives:

- Explain how changes in activity affect contribution margin and net operating income.
- Interpret a cost-volume graph.
- Determine the break-even point given a product mix.
- Calculate the sales level needed to reach a desired target profit.
- Calculate the impact of cost changes.
- Calculate the margin of safety.
- Calculate the degree of operating leverage.
- Predict changes in operating income using the operating leverage.
- Calculate the break-even point for a multiproduct company.
- Calculate the change in the break-even point given a shift in sales.

Read: Chapter 5 Cost-Volume-Profit Relationships

This chapter covers cost-volume-profit (CVP) analysis and how it can help managers make many important decisions, such as what products and services to offer, what prices to charge, what marketing strategy to use, and what cost structure to maintain. Its primary purpose is to estimate how profits are affected by changes in sales and the mix of fixed and variable costs. After reading this chapter you should be able to calculate break-even points and how changes in sales and/or costs affect profitability.

Read the following in *Managerial Accounting*:

- [Chapter 5 Cost-Volume-Profit Relationships](#)

Reflect on question 5-1 on page 215.

Practice

These practice exercises will enable you to apply your knowledge of how cost-volume-profit (CVP) analysis helps managers make many important decisions.

Complete the following activities in [Connect](#):

- Chapter 5 Practice
- Chapter 5 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 5 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Variable Costing

This topic describes two applications of contribution format income statements. First, it explains how manufacturing companies can prepare variable costing income statements, which rely on the contribution format, for internal decision making purposes, and then the variable costing



approach will be contrasted with absorption costing income statements.

This topic addresses the following competency:

- **Competency 3033.1.2: Decision Making**

The graduate performs cost–benefit analyses for decision making.

This topic highlights the following objectives:

- Explain the difference between variable costing and absorption costing.
- Prepare an income statement using both absorption costing and variable costing.
- Identify the costs included in a segment income statement.
- Explain the difference between common fixed cost and traceable fixed cost.
- Calculate companywide and segment break-even points with traceable fixed cost.

Read: Chapter 6 Variable Costing and Segment Reporting: Tools for Management

This chapter covers two applications of contribution format income statements. First, it explains how manufacturing companies can prepare variable costing income statements, which rely on the contribution format, for internal decision making purposes. Next, the variable costing approach will be contrasted with absorption costing income statements. After reading, you should be able to prepare a contribution format income statement and distinguish variable costing from full absorption costing.

Read the following in *Managerial Accounting*:

- [Chapter 6 Variable Costing and Segment Reporting: Tools for Management](#)

Practice

These practice exercises will enable you to apply your knowledge of variable costing.

Complete the following activities in [Connect](#):

- Chapter 6 Practice
- Chapter 6 Quiz

Differential Analysis and Decision Making

Every decision involves choosing from among at least two alternatives. In making a decision, the costs and benefits of one alternative must be compared to the costs and benefits of other alternatives. The key to making such comparisons is differential analysis—focusing on the costs and benefits that differ between the alternatives.

This topic addresses the following competency:

- **Competency 3033.1.2: Decision Making**

The graduate performs cost–benefit analyses for decision making.



This topic highlights the following objectives:

- Analyze costs and benefits for relevancy.
- Calculate the impact on profits when a product or business segment has been discontinued.
- Analyze whether to continue or discontinue a product or business segment.
- Calculate the impact on profits from a make or buy decision.
- Analyze a make or buy decision.
- Calculate the impact on profits of a special order.
- Determine the most profitable use of a scarce resource.
- Determine the value of obtaining more of a scarce resource.
- Determine whether it is more profitable to sell at a split-off point or to process further.

Read: Chapter 12 Differential Analysis: The Key to Decision Making

This chapter covers how cost accounting can be used to make various decisions. In making these decisions, managers must choose between alternatives and compare costs and benefits of the different alternatives. After reading, you should be able to apply the tools of differential analysis to make managerial decisions.

Read the following in *Managerial Accounting*:

- [Chapter 12 Differential Analysis: The Key to Decision Making](#)

Practice

These practice exercises will enable you to apply your knowledge of how cost accounting can be used to make decisions.

Complete the following activities in [Connect](#):

- Chapter 12 Practice
- Chapter 12 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 12 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Budgets and Performance Evaluation

Budgets are a planning and control tool used by managers to better manage their business and are often used to evaluate performance of both employees and products. In this section we will learn how budgets are prepared and how they can be used to evaluate performance.

Preparing a Master Budget and Flexible Budget

In this topic you will learn the importance of budgeting to an organization and the various types of budgets that are required to complete a master budget.

This topic addresses the following competency:



- **Competency 3033.1.3: Budgets and Performance Evaluation**

The graduate prepares various forms of operating budgets, including a flexible budget system for planning and evaluating the performance of business segments.

This topic highlights the following objectives:

- Identify the advantages of budgeting.
- Calculate components of a sales budget.
- Calculate components of a production budget.
- Calculate components of a direct materials budget.
- Calculate components of a direct labor budget.
- Calculate components of a manufacturing overhead budget.
- Calculate components of a selling and administrative expense budget.
- Calculate components of a cash budget.
- Calculate components of a budgeted income statement.
- Prepare a budgeted balance sheet.

Read: Chapter 8 Master Budgeting

This chapter covers the importance of budgeting in a business environment. After reading, you should be able to prepare a master budget and comprehend the role budgeting plays in planning and controlling a business.

Read the following in *Managerial Accounting*:

- [Chapter 8 Master Budgeting](#)

Reflect on questions 8-1, 8-2, 8-3, and 8-4 on page 370.

Practice

These practice exercises will enable you to apply your knowledge of the importance of budgeting in a business environment.

Complete the following activities in [Connect](#):

- Chapter 8 Practice: Part 1
- Chapter 8 Practice: Part 2
- Chapter 8 Practice: Part 3
- Chapter 8 Practice: Part 4
- Chapter 8 Practice
- Chapter 8 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 8 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Flexible Budgets and Performance Evaluation



In this topic, you will look at how budgets can be used to guide operations through performance evaluation. The analysis of variances from budgeted projections is a key tool used in controlling and monitoring business operations.

This topic addresses the following competency:

- **Competency 3033.1.3: Budgets and Performance Evaluation**

The graduate prepares various forms of operating budgets, including a flexible budget system for planning and evaluating the performance of business segments.

This topic highlights the following objectives:

- Explain the purpose of a flexible budget.
- Calculate the bottom line of a flexible budget.
- Calculate activity variances.
- Calculate revenue and spending variances.
- Interpret activity variance and revenue and spending variance.

Read: Chapter 9 Flexible Budgets and Performance Analysis

This chapter covers how budgets are used to assist managers in evaluating performance. After reading, you should be able to prepare a flexible budget and interpret variances.

Read the following in *Managerial Accounting*:

- [Chapter 9 Flexible Budgets and Performance Analysis](#)

Reflect on questions 9-1 and 9-2 on page 410.

Practice

These practice exercises will enable you to apply your knowledge of how budgets are used to assist managers in evaluating performance.

Complete the following activities in [Connect](#):

- Chapter 9 Practice
- Chapter 9 Quiz

In the Cohort Tests area, complete either the timed or not timed version of the Chapter 9 test. The timed version will provide practice for taking tests with a time constraint and will help prepare you for the course pre-assessment and objective assessment.

Standard Costs and Variances

This section introduces standard costing and resultant variance analysis. When analyzing variances from established standards, you must be able to determine if a variance is favorable or unfavorable and what might have given rise to such a variance and what organization, unit, or individual was responsible for any variance.



This topic addresses the following competency:

- **Competency 3033.1.3: Budgets and Performance Evaluation**

The graduate prepares various forms of operating budgets, including a flexible budget system for planning and evaluating the performance of business segments.

This topic highlights the following objectives:

- Calculate direct materials price and quantity variances.
- Calculate direct labor rate and efficiency variances.
- Calculate variable overhead rate and the variable overhead efficiency variances.
- Interpret material, labor, and variable overhead variances.

Read: Chapter 10 Standard Costs and Variances

This chapter introduces standard cost and resultant variance analysis. After reading, you should be able to analyze variances from established standards and determine if a variance is favorable or unfavorable. In addition you should understand what might have given rise to such a variance and what organization, unit, or individual was responsible for any variance.

Read the following in *Managerial Accounting*:

- [Chapter 10 Standard Costs Performance Analysis](#)

Practice

These practice exercises will enable you to apply your knowledge of standard costs and variances.

Complete the following activities in [Connect](#):

- Chapter 10 Practice
- Chapter 10 Quiz

Performance Measurement in Decentralized Organizations

In this section, you will look at performance measurement tools that a manager may use in a decentralized organization. In a decentralized organization, decision-making authority is spread throughout the organization rather than being confined to a few top executives. Decentralized organizations need responsibility accounting systems that link lower-level managers' decision-making authority with accountability for the outcomes of those decisions. The term "responsibility center" is used for any part of an organization where the manager has control over and is accountable for cost, profit, or investments.

This topic addresses the following competency:

- **Competency 3033.1.3: Budgets and Performance Evaluation**

The graduate prepares various forms of operating budgets, including a flexible budget system for planning and evaluating the performance of business segments.



This topic highlights the following objectives:

- Identify the advantages and disadvantages of decentralized organizations.
- Calculate return on investment.
- Calculate residual income.
- Identify nonfinancial performance measures.
- Identify components to be included in a balanced scorecard.

Read: Chapter 11 Performance Measurement in Decentralized Organizations

This chapter covers performance measurement tools that managers may use in a decentralized organization. In a decentralized organization, decision-making authority is spread throughout the organization rather than being confined to a few top executives. After reading this chapter you should understand why decentralized organizations need responsibility accounting systems that link lower-level managers' decision-making authority with accountability for the outcomes of those decisions.

Read the following in *Managerial Accounting*:

- [Chapter 11 Performance Measurement in Decentralized Organizations](#)

Reflect on questions 11-1 and 11-2 on page 497.

Practice

These practice exercises will enable you to apply your knowledge of performance measurement tools.

Complete the following activities in [Connect](#):

- Chapter 11 Practice
- Chapter 11 Quiz

Final Steps

Congratulations on completing the activities in this course! You are now prepared to complete the associated assessment. If you have not already been directed to complete it, schedule and complete the assessment now.