

Course Description

Cost Accounting: Module 3 – Cost-Volume-Profit & Activity-Based Costing

Description:

This module covers cost accounting concepts related to cost-volume-profit analysis, which is simply a study of the relationships between costs and volume and their effect on profit. This module also covers the concept of activity-based costing which is a cost accounting system that identifies the activities performed in a process, costs of those activities, and uses cost drivers to attach the cost of activities to products.

Learning Objectives:

Upon completion of this course, the learner will be able to:

- Identify the activities performed in a process
- Discuss contribution margin and how to calculate the contribution ratio
- Describe the impact of changes in fixed costs and sales volume
- Calculate the sales volume needed to achieve a target net profit figure
- Describe the difference between traditional cost systems and activity-based costing
- Identify why most companies prefer activity-based costing

Estimated Course Duration: 90 minutes (1.5 CPE)

Delivery Method: Online Self-Study

Field of Study: Accounting

Program Level: Overview

Advance Preparation/Prerequisites: None

NASBA Publication/Revision Date: 10/23/07

Course Outline:

What is the Break-Even Point?

Contribution Approach

Cost Volume Profit Analysis

- Calculating the Break-Even Point
- Calculating Contribution Margin Ratio

Fixed Costs and Sales Volumes

- Determining Impact of Changes in Fixed Costs and Sales Volume

Target Profit Analysis

- Target Net Profit and the CVP Equation

Margin of Safety

What is Operating Leverage?

Sales Mix

CVP Analysis

Budgeting

- Framework of Budgeting
- Planning and Control
- Budgeting Financial Statements

Characteristics of Activity Based Costing

- Traditional Costing Systems vs. ABC
- Plant-wide Overhead Rate
- Two-stage Process
- Assigning Costs and Cost Objects



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