

Course Description

Cost Accounting: Module 06 – Relevant Costs for Decision Making

Description:

This module covers the decision making process that businesses go through and the costs associated with those decisions; including decisions related to replacing equipment and assets, producing items internally versus outsourcing production, processing special or non-routine orders, and determining whether to sell items or process them further.

Learning Objectives:

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

- Describe the difference between relevant and irrelevant costs in decisions
- Calculate whether to keep or replace old equipment
- Discuss whether a product line or other organizational segment should be dropped or retained
- Conduct a make or buy analysis
- Identify whether a special order should be accepted
- Determine the most profitable use of a constrained resource
- Calculate whether a joint product should be sold at the split-off point or processed further

Estimated Course Duration: 1 hour (1 CPE)

Delivery Method: Online Self-Study

Field of Study: Accounting

Program Level: Overview

Advance Preparation/Prerequisites: None

NASBA Publication/Revision Date: 9/27/07

Course Outline:

Managerial Accountant's Role in Decision Making

Cost Concepts for Decision Making

Identifying Relevant Costs

- Sunk Costs
- Future Costs
- Unavoidable Costs

Opportunity Costs

Replacing a Machine

Contribution Margin Approach

Outsourcing vs. In-Sourcing

Special orders

Constrained Resources

- Theory of Constraints
- Lean Manufacturing

Managing Constraints

Joint Products

- Common, or Joint Costs
- Separable Costs



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