Final Exam Review

Accounting 200 // Winter 2023

Important Final Exam Info

- NEW LOCATION: The final exam will be held in **Room 144 of the Richards Building (RB 144).**

- **The deadline has been extended to 8:00 pm**. This means that you must enter the testing room by 8:00 pm. The testing room closes at 10:00 pm.
  - First attempt: April 21 - April 22
  - Second and third attempt: April 24 - April 26

- Review answer key to Final Exam - First Attempt in Harmon building
  - Starting Monday at 9:00am

Question Breakdown

36 Questions

58% managerial accounting
42% comprehensive / financial

Module 2	2 questions
Module 3	2 questions
Module 4	2 questions
Module 6	1 question
Module 7	3 questions
Module 8	2 questions
Module 9	3 questions
Module 11	6 questions
Module 12	6 questions
Module 13	5 questions
Module 13	4 questions

Cost accounting - T-account flows and journal entries

Module 11

Raw Materials				WIP Inventory				Finished Goods				Overhead			
Beg. Balance	120	90	*Direct Materials*	*Beg. Balance*	58	292	*Finished Goods*	*Beg. Balance*	35	245	*Sold Goods*	*Indirect Labor*	59	125	*Applied Overhead*
Materials Purchased	100	70	*Indirect Materials*	*Direct Materials*	90			*Finished Goods*	292			*Indirect Materials*	70		
				Direct Labor	110							*Other indirect costs*	98		
				Applied Overhead	125							*(rent, utilities, etc.)*			
	60				**91**				**82**				**102**		

Work-in-Process Inventory 90
Raw Materials Inventory 90

(Putting direct materials from raw materials inventory into production)

Overhead 70
Raw Materials Inventory 70

(Putting indirect materials from raw materials inventory into production - Actual overhead cost)

Work-in-Process Inventory 125
Overhead 125

(Applied manufacturing overhead into Work-in-Process Inventory)

Finished Goods Inventory 292
Work-in-Process Inventory 292

(Finished goods transferred from Work-in-Process Inventory to Finished Goods Inventory)

Cost of Goods Sold 245
Finished Goods Inventory 245

(Finished Goods sold)

125 applied - 102 actual =
OVERHEAD $23 OVERAPPLIED

Overhead 23
Cost of Goods Sold 23
(Closing/Adjusting entry for Overhead)

Calculating predetermined overhead rate

Module 11

1. Select driver (direct labor hours)
2. Compute predetermined overhead allocation rate

$$\frac{total\ expected\ overhead\ costs}{total\ expected\ driver\ level}$$

   a. Expected overhead examples: indirect labor, indirect materials, factory utilities, depreciation on manufacturing equipment

Module 11 Practice

Company X uses direct labor hours to apply overhead to manufacturing jobs. The company has the following expectations for the coming year.

- Indirect labor: $250,000
- Direct labor: $575, 000
- Direct labor hours: 25,000 hrs
- Machine hours: 20,000 hrs
- Indirect materials: $200,000
- Direct materials: $150,000
- Factory depreciation: $125,000

The actual costs were as follows

- Indirect labor: $280,000
- Direct labor: $560, 000
- Direct labor hours: 28,000 hrs
- Machine hours: 22,000 hrs
- Indirect materials: $175,000
- Direct materials: $200,000
- Factory depreciation: $125,000

A. Calculate the predetermined overhead rate

Module 11 Practice

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- Direct labor hours: 25,000 hrs
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The actual costs were as follows

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- Direct labor: $560, 000
- Direct labor hours: 28,000 hrs
- Machine hours: 22,000 hrs
- Indirect materials: $175,000
- Direct materials: $200,000
- Factory depreciation: $125,000

A. Calculate the predetermined overhead rate

1. Driver: direct labor hours
2. $$\frac{\$(250{,}000 + 200{,}000 + 125{,}000)}{25{,}000\ hrs}$$

Rate = $23 / hour

B. Ask: how could this question be trickier?

- Other expected overhead costs that would be included in denominator

Applying overhead to a specific job

Module 11

1. Select driver (direct labor hours)
2. Compute predetermined overhead allocation rate

$$\frac{\textit{total expected overhead costs}}{\textit{total expected driver level}}$$

3. Applied overhead = predetermined rate × actual driver level used

Module 11 Practice

Company X uses direct labor hours to apply overhead to specific manufacturing jobs. The company has the following expectations for the coming year.

- Indirect labor: $250,000
- Direct labor: $575, 000
- Direct labor hours: 25,000 hrs
- Machine hours: 20,000 hrs
- Indirect materials: $200,000
- Direct materials: $150,000
- Factory depreciation: $125,000

Job #13 took 17 hours of actual labor and 12 machine hours.

A. How much overhead should be applied to Job #13? What is the journal entry?

Module 11 Practice

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- Indirect materials: $200,000
- Direct materials: $150,000
- Factory depreciation: $125,000

Job #13 took 17 hours of actual labor and 12 machine hours.

A. How much overhead should be applied to Job #13? What is the journal entry?

1. Predetermined rate: $23 / hour
2. $ 23 x 17 direct labor hours =

$391 applied

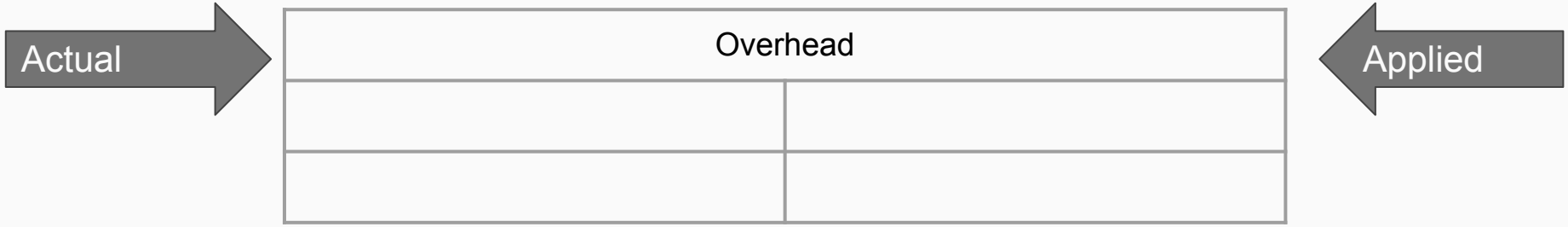
Journal entry:

WIP Inventory 391

Overhead 391

Close under- or over-applied overhead

Module 11



- Close to COGS
  - Under-applied: DEBIT Cost of Goods Sold, CREDIT Overhead
  - Over-applied: DEBIT Overhead, CREDIT Cost of Goods Sold

Close under- or over-applied overhead

Module 11

Overhead	
140	190
65	
205	190

Ending Balances

Close under- or over-applied overhead

Module 11

Overhead	
140	190
65	
205	190
	15
	205

Ending Balances

COGS 15

Overhead 15

Keep vs. Drop Product Line

Module 12

- Set up a table
- Think through each line item
- Read all notes (we will not try to trick you)

Keep vs. Drop
Module 12

BYU is considering closing down the Blue Line Deli and gathers the following data to help make the decision:

- Revenue: $900
- Variable Cost: $600
- *Direct Avoidable Fixed Cost: $250
- **Indirect Fixed Cost: $300

*The direct avoidable fixed costs will be eliminated if the product line is closed.

**The indirect fixed costs are 50% avoidable.

If BYU closes the Blue Line Deli, they can rent the space to Raising Canes for $550 per month

By how much will overall net income change if BYU decides to close the Blue Line?

	Keep	Close

A. Net income will increase by $500 if the product line is discontinued
B. Net income will increase by $650 if the product line is discontinued
C. Net income will decrease by $650 if the product line is discontinued
D. Net income will decrease by $650 if the product line is discontinued

Keep vs. Drop
Module 12

BYU is considering closing down the Blue Line Deli and gathers the following data to help make the decision:

- Revenue: $900
- Variable Cost: $600
- *Direct Avoidable Fixed Cost: $250
- **Indirect Fixed Cost: $300

*The direct avoidable fixed costs will be eliminated if the product line is closed.

**The indirect fixed costs are 50% avoidable.

If BYU closes the Blue Line Deli, they can rent the space to Raising Canes for $550 per month

By how much will overall net income change if BYU decides to close the Blue Line?

	Keep	Close
Revenue	900	0
Variable Cost	(600)	0
Direct Fixed	(250)	0
Indirect Fixed	(300)	(150)
Rent Revenue	0	550
	(250)	**400**

B. Net income will **increase** by **$650** if the product line is discontinued

Make vs. Buy

Module 12

- Set up a table
- Think through each line item
- Read all notes (we will not try to trick you)

Make vs. Buy
Module 12

Microsoft assembles surface pros and is considering buying the computer chip instead of manufacturing them. Microsoft found a manufacturer who will sell them the chip for $9.00 per chip.

Cost information related to the manufacture of the chip is as follows:

- Direct Materials: $5.50 / unit
- Direct Labor: $2.00 / unit
- Variable Manufacturing Overhead:
- $0.75 / unit
- Fixed Manufacturing Overhead:
- $1.50 / unit

Microsoft estimates sales of $5,000 units per year. Each unit requires 1 microchip

By how much will overall net income change if Microsoft decides to stop making the parts itself and buys it from the supplier?

	Make	Buy

Make vs. Buy
Module 12

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- Variable Manufacturing Overhead:
- $0.75 / unit
- Fixed Manufacturing Overhead:
- $1.50 / unit

Microsoft estimates sales of $5,000 units per year. Each unit requires 1 microchip

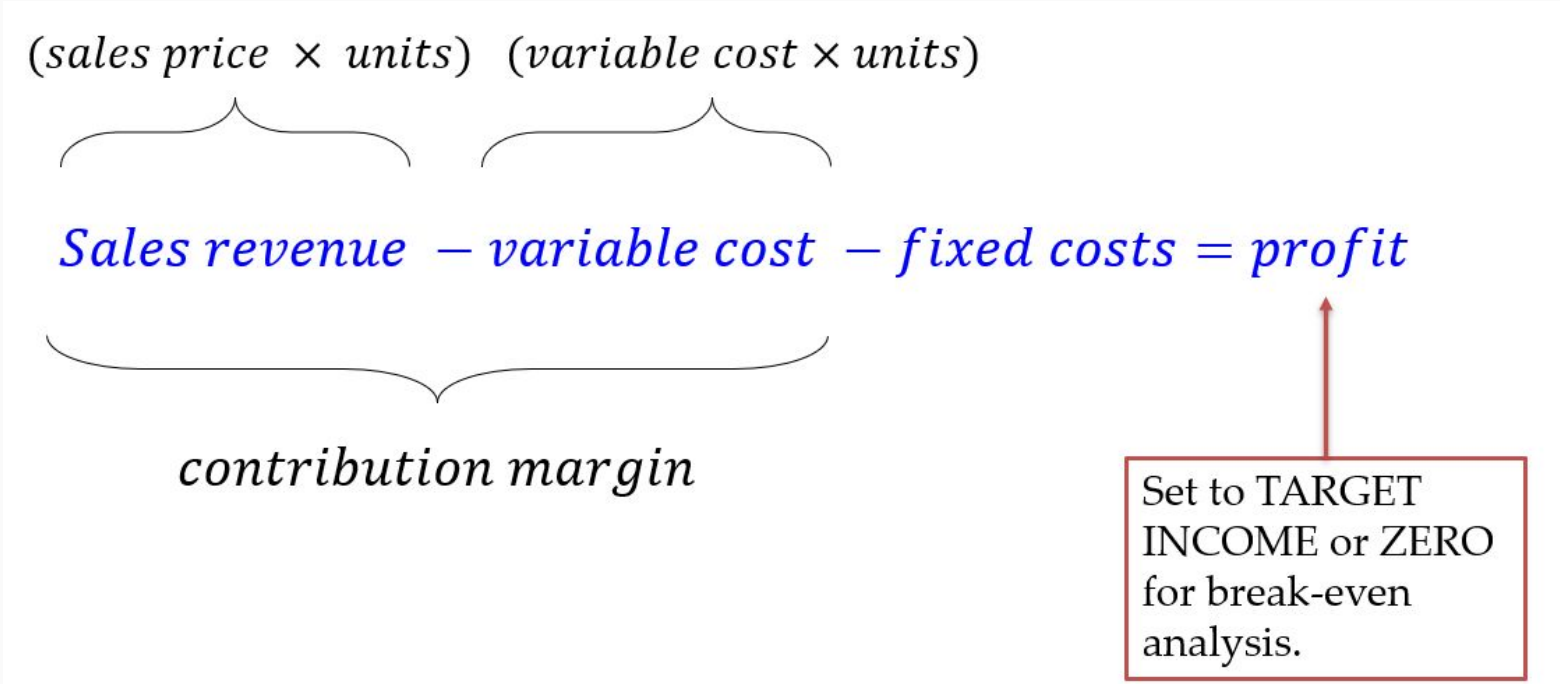
By how much will overall net income change if Microsoft decides to stop making the parts itself and buys it from the supplier?

	Make	Buy
Direct Materials	27,500 (5.50 * 5,000)	0
Direct Labor	10,000 (2.00 * 5,000)	0
Variable Manufacturing Overhead	3,750 (0.75 * 5,000)	0
Fixed Manufacturing Overhead	7,500 (1.50 * 5,000)	7,500 (1.50 * 5,000)
Purchase Microchip	0	45,000 (9.00 * 5,000)
Total Cost	**48,750**	**52,500**

Net income will **decrease** by **$3,750** if the chip is purchased instead of made.

CVP Analysis

Module 12



CVP
Module 12

A test proctoring company is hiring you to do a CVP analysis for them. They have fixed costs per month of $12,000 and give 1,000 tests per month.

If their variable costs are $12 per test, what price should they set to BREAKEVEN?

CVP
Module 12

A test proctoring company is hiring you to do a CVP analysis for them. They have fixed costs per month of $12,000 and give 1,000 tests per month.

If their variable costs are $12 per test, what price should they set to BREAKEVEN?

1,000(sales price) - 1,000(12) - 12,000 = 0

1,000(sales price) - 12,000 - 12,000 = 0

1,000(sales price) = 24,000

Sales price = $24

CVP
Module 12

The following data are for Zach Company:

- Net Income at 35,000 units: $225,000
- Variable Cost Ratio: 60%
- Fixed Costs: $13,000

What is the selling price per unit?

CVP
Module 12

The following data are for Zach Company:

- Net Income at 35,000 units: $225,000
- Variable Cost Ratio: 60%
- Fixed Costs: $13,000

What is the selling price per unit?

Variable Cost Ratio = VC / SR

SR * Ratio = VC

SR - .6(SR) - 13,000 = 225,000

.4(SR) = 238,000

238,000 / .4 = 595,000

$595,000 / 35,000 units = $17 per unit

$17 * .60 = 10.2 Variable Costs per unit

Budgeting

Module 13

- Production Budget
- Raw Materials Budget
- Cash Collection Forecast

Production Budget
Module 13

On September 30 of Year 1, Abinadi Company had finished goods inventory of 2,200 units. Starting in October, Abinadi intends to have an inventory policy of maintaining ending inventory at the end of every month equal to the next two months of sales. For example, ending inventory at the end of October should be equal to the forecasted sales in November and December. Forecasted sales for the months October, Year 1 through January, Year 2 are as follows:

- October 6,000: units
- November: 4,500 units
- December: 8,500 units
- January: 2,000 units

What is the amount of budgeted PRODUCTION for November?

	October	November
Need		
(Have)		
= Make		

Production Budget
Module 13

On September 30 of Year 1, Abinadi Company had finished goods inventory of 2,200 units. Starting in October, Abinadi intends to have an inventory policy of maintaining ending inventory at the end of every month equal to the next two months of sales. For example, ending inventory at the end of October should be equal to the forecasted sales in November and December. Forecasted sales for the months October, Year 1 through January, Year 2 are as follows:

- October 6,000: units
- November: 4,500 units
- December: 8,500 units
- January: 2,000 units

What is the amount of budgeted PRODUCTION for November?

	October	November
Need	19,000 6,000+4,500+8,500	15,000 4,500+8,500+2,000
(Have)	(2,200) Beginning Balance	(13,000) 4,500 + 8,500
= Make	**16,800**	**2,000**

	October	November
Sales	6,000	4,500
Beg Inv	2,200	13,000
Needed Production	13,000 + 6,000 - 2,200 = 16,800	10,500 + 4,500 - 13,000 = 2,000
Ending Inv	13,000	10,500

Raw Materials Budget
Module 13

On April 30 of Year 1, Gibeah Company had raw materials inventory of 750 pounds. Starting in May, Gibeah intends to have an inventory policy of maintaining ending raw materials inventory at the end of every month equal to the next TWO months' production needs. For example, ending inventory at the end of May should be equal to forecasted raw materials needs for June production plus forecasted raw materials needs for July production. Three pounds of raw materials are needed in the production of one finished unit. Forecasted PRODUCTION from May, Year 1 through August, Year 1 is as follows:

- May: 2,000 units
- June: 3,500 units
- July: 4,000 units
- August: 2,700 units

What is the amount of budgeted RAW MATERIALS PURCHASES for June?

	May	June
Need		
(Have)		
= Buy		

Raw Materials Budget
Module 13

On April 30 of Year 1, Gibeah Company had raw materials inventory of 750 pounds. Starting in May, Gibeah intends to have an inventory policy of maintaining ending raw materials inventory at the end of every month equal to the next TWO months' production needs. For example, ending inventory at the end of May should be equal to forecasted raw materials needs for June production plus forecasted raw materials needs for July production. Three pounds of raw materials are needed in the production of one finished unit. Forecasted PRODUCTION from May, Year 1 through August, Year 1 is as follows:

- May: 2,000 units
- June: 3,500 units
- July: 4,000 units
- August: 2,700 units

What is the amount of budgeted RAW MATERIALS PURCHASES for June?

	May	June
Need	28,500 2,000+3,500+4,000= 9,500 units 9,500 * 3 lbs = **28,500 lbs**	30,600 3,500+4,000+2,700= 10,200 units 10,200 * 3 lbs = **30,600 lbs**
(Have)	(750) Beginning Balance	(22,500) 3,500 + 4,000 = 7,500 units 7,500 * 3 lbs = **22,500 lbs**
= Buy	**18,250 lbs**	**8,100 lbs**

Cash Collections Forecast
Module 13

It is January 1 of Year 2. Sales for Andrew Company for January, February, and March are forecasted to be as follows: January $250,000 February $400,000 March $550,000 Of these sales 10% are CASH sales and the rest are CREDIT sales. Of these credit sales, 20% are collected during the month of sale, 50% in the following month, 25% in the second following month, and 5% are uncollectible. TOTAL sales for November and December of Year 1 were $300,000 and $600,000, respectively.

What is the forecasted amount of total CASH COLLECTIONS in February?

	November	December	January

Cash Collections Forecast
Module 13

It is January 1 of Year 2. Sales for Andrew Company for January, February, and March are forecasted to be as follows: January $250,000 February $400,000 March $550,000 Of these sales 10% are CASH sales and the rest are CREDIT sales. Of these credit sales, 20% are collected during the month of sale, 50% in the following month, 25% in the second following month, and 5% are uncollectible. TOTAL sales for November and December of Year 1 were $300,000 and $600,000, respectively.

What is the forecasted amount of total CASH COLLECTIONS in February?

	November	December	January	February
Cash Collections from Cash Sales	300,000 x 10% = 30,000	600,000 x 10% = 60,000	250,000 x 10% = 25,000	400,000 x 10% = 40,000
Cash Collections for this month	300,000 x 90% x 20% = 54,000	600,000 x 90% x 20% = 108,000	250,000 x 90% x 20% = 45,000	400,000 x 90% x 20% = 72,000
Cash Collections from last month		300,000 x 90% x 50% = 135,000	600,000 x 90% x 50% = 270,000	250,000 x 90% x 50% = 112,500
Cash Collections from two months ago			300,000 x 90% x 25% = 67,500	600,000 x 90% x 25% = 135,000
Total			407,500	359,500

Comprehensive Topics

- Asset Valuation
- Sorting Balance Sheet Accounts
- Format of IS
- Retained Earnings
- Journal Entry Questions
- SOCF
- Statement of Equity
- Dupont Formula
- Cash Gap Formula
- Accruals Ratio
- Effective vs Average vs Marginal

Four Valuation Models

Module 2

- **Historical Cost:** Original transaction value
  - Land, Inventory, Intangibles with an Infinite Useful Life (Trademarks)
- **Amortized Cost:** Historical Cost with adjustment for Cost Allocation
  - Prepaid Expenses, PP&E (Net of Accumulated Depreciation), Intangibles with a Finite Useful Life (Patents)
- **Net Realizable Value:** Amount of Cash that an Asset is expected to be converted into
  - Accounts Receivable (Net of Allowance)
- **Fair Value:** Price that would expected to be received if the Asset was sold in an Orderly Market in an Arms-Length Transaction
  - Investment securities

Balance Sheet

Module 2 and 3

Assets = Liability + Equity

Asset: A present right of an entity to an economic benefit. Generally results in cash inflow.

Liability: A present obligation of an entity to transfer or provide an economic benefit. Many require a transfer of cash, some require providing goods and services.

Equity: Remaining claim against the assets of a business, after the liabilities have been satisfied.

Composition of the Balance Sheet

Current Assets		Current Liabilities
Non-Current Assets		Non-Current Liabilities
		Contributed Capital
		Earned Capital
Assets	**=**	**Liabilities + Equity**

Example of Balance Sheet Accounts

Current Assets: Cash, Accounts Receivable, Inventory, Prepaid Expenses, Investments

Non-current Assets: Property, Plant and Equipment, Land, Intangibles, Operating Lease

Current Liabilities: Accounts Payable, Accrued Liabilities, Current Portion of Short-Term Debt

Non-current Liabilities: Long Term Debt

Contributed Capital: Common Stock, Preferred Stock

Earned Capital: Retained Earnings

Income Statement - Gross Profit

Module 4

Gross Profit: Tells us whether revenues are sufficient to cover the costs that can be directly tied to the product being sold during the period

Operating Income: Tells us whether revenues are sufficient to cover the costs of all operating expenses (direct and indirect)

Non-operating items: Activities that arise outside of the normal course of business (financing and investing activities)

Sales revenue

(Cost of goods sold)

Gross profit

(Operating expenses)

Operating income

(Non-operating income and expense)

Income Statement - Pretax & Net income

Pretax income: Tells us whether revenues are sufficient to cover all operating and non-operating expenses, net of any non-operating income

Net income: Tells us whether revenues are sufficient to cover all the costs of business (including income taxes)

Sales revenue

(Cost of goods sold)

Gross profit

(Operating expenses)

Operating income

(Non-operating income and expense)

Pretax income

(Income tax expense)

Net income

Retained Earnings

Module 7

- Retained Earnings: Amount of Net Income that a company has earned since it began operations that has not been paid out to stockholders as Dividends, but rather has been retained in the company
- Ending Retained Earnings = Beginning Retained Earnings + Net Income - Dividends
- This account will always carry a balance from year to year

Retained Earnings

In the first year of operation, Anna Company had revenue of $12,500 and expenses of $7,250. They also paid $2,900 in dividends. In year 2 they had revenue of $17,750 and expenses of $12,500. That year they paid $1,300 in dividends. What is the Retained Earnings balance for the end of year 2?

1. Solve for the Retained Earnings in Year 1
   a. Solve for Net Income for Year 1

      Net Income = Revenue - Expenses
      Net Income = 12,500 - 7,250 = **$5,250**

   b. Solve for RE at the end of the year

      Ending RE = Beginning RE + NI - Dividends
      Ending RE = 0 + 5,250 - 2,900 = **$2,350**

2. Solve for the Retained Earnings in Year 2
   a. Solve for Net Income in Year 2

      Net Income = Revenue - Expenses
      Net Income = 17,750 - 12,500 = **$5,250**

   b. Solve for RE at the end of the year

      Ending RE = Beginning RE + NI - Dividends
      Ending RE = 2,350 + 5,250 - 1,300 = **$6,300**

Financial Statement Effects

Module 4

We prepay $2,400 for the next 12 months of insurance. On December 31, we have used up 4 months of this prepaid insurance.

Cash	+	Non-cash Assets	=	Liabilities	+	Contributed Capital	+	Retained Earnings
-2,400		2,400						
Cash		Prepaid Insurance						
		-800						-800
		Prepaid Insurance						

Revenues	-	Expenses	=	Net Income
		800		-800
		Insurance Expense		

Journal Entry for the Sale of Inventory

Module 6

Account Name	Debit	Credit
Cash / Accounts Receivable	yy	
Revenue		yy
Cost of Goods Sold	xx	
Inventory		xx

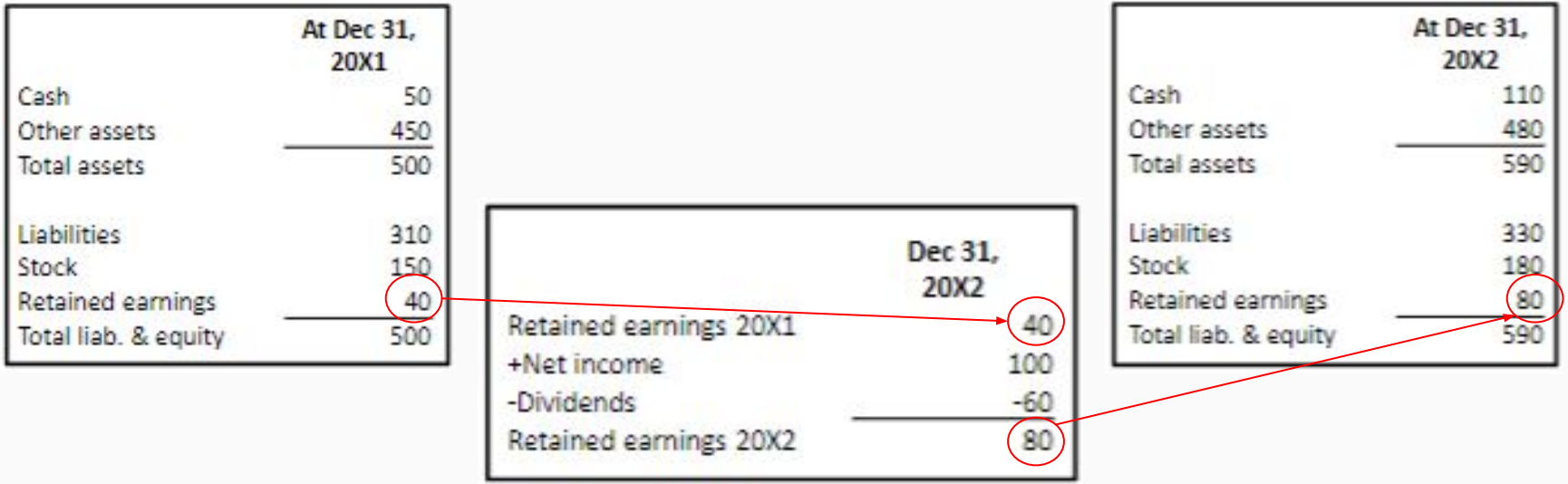
Journal Entries - During the Period

Sold inventory costing $3,000 for $5,000 cash

Account Name	Debit	Credit
Cash	5,000	
Revenue		5,000
Cost of Goods Sold	3,000	
Inventory		3,000

Linking statement of equity and balance sheet

Module 7



Equity

- Equity Section of Balance Sheet
  - Comprised of Stock and Retained Earnings
  - Stock is both Common Stock and APIC
  - Treasury Stock is a CONTRA-Equity
- Statement of Equity
  - Shows the changes in equity over the year both in RE and CS
  - Stock issuance, dividends, net income, stock buybacks

	Dec 31, 20X2
Retained earnings 20X1	40
+Net income	100
-Dividends	-60
Retained earnings 20X2	80

Format of Statement of Equity

	Common Stock +	APIC	Treasury Stock −	Retained Earnings +	**Total Equity** =
Beginning Balance	10	290	(50)	400	**650**
Stock Issuances	1	49			**50**
Stock Buybacks			(5)		**(5)**
Net Income				1,000	**1,000**
Dividends				(800)	**(800)**
Ending Balance	**11**	**339**	**(55)**	**600**	**895**

Review of Dupont Ratios

Module 8

$$\frac{\text{Net Income}}{\text{Total Equity}} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}}$$

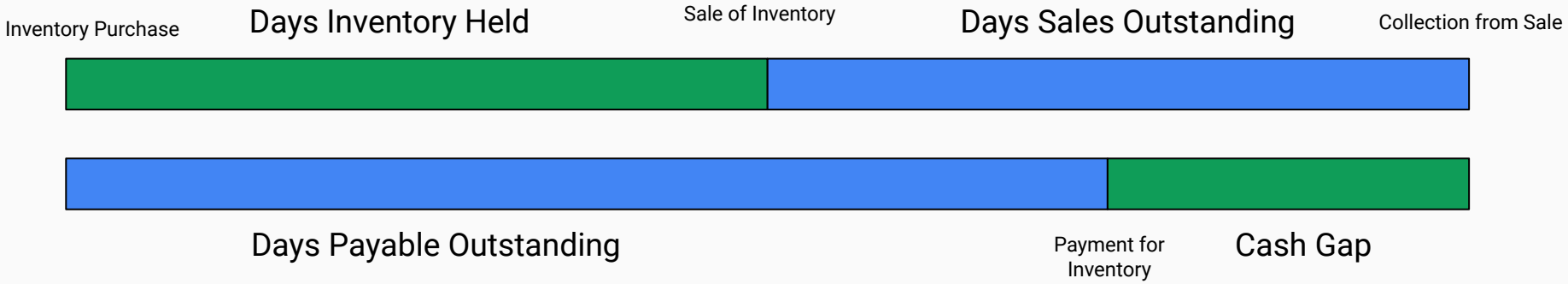
Return on Equity	Profit Margin	Asset Turnover	Assets to Equity
"Performance"	"Profitability"	"Efficiency"	"Leverage"

Review of Dupont Ratios

- Return on Equity/Performance (Net Income/Total Equity)
  - The income generated during the period per dollar of stockholders' equity.
- Profit Margin/Profitability (Net Income/Sales)
  - The income generated during the period per dollar of sales. How much is left over from sales after paying for all of the expenses.
- Asset Turnover/Asset Efficiency (Sales/Total Assets)
  - The sales generated during the period per dollar of assets. How efficiently a company uses their assets to generate sales.
- Assets to Equity/Financial Leverage (Total Assets/Total Equity)
  - The amount of assets a company has per dollar of stockholders' equity. How much the company has borrowed to purchase its assets.

Cash Gap
Module 8

- Number of days a company is “out” of cash from operations
  - How much short term borrowing is required for a company
- Cash Gap = Days Inventory Held + Days Sales Outstanding - Days Payable Outstanding



Cash Gap

- Turnover ratio is always in the denominator
  - How many times in one period we went through all of an account
- Days Inventory Held
  - Days in Period/(COGS/Inventory)
- Days Sales Outstanding
  - Days in Period/(Sales/AR)
- Days Payable Outstanding
  - Days in Period/(COGS/AP)

Accrual to asset ratio

Module 9

- Accruals are created to comply with Accrual Accounting
  - Accounts Receivable
- Accruals = Net Income - Operating Cash flow
  - Operating Cash Flow captures CASH FLOW from operations
- = (Net Income - Operating Cash Flow) / Total Assets
- Negative Ratio
  - More income-decreasing entries
  - Could be taking a big bath
- Positive Ratio
  - More income-increasing entries
  - Could be pumping up income

Effective vs. average vs. marginal tax rate

Module 9

- Effective Tax Rate
  - Tax Liability/All Income
  - If a taxpayer doesn't have tax exempt income, the average and effective rates will be the same
- Average Tax Rate
  - Tax Liability/Taxable Income
- Marginal Tax Rate
  - Tax Rate applied to the next addition increment of income

Effective vs. average vs. marginal tax rate practice

You make $17,500 this year of taxable income and $10,000 of tax-exempt income. The tax brackets are as follows:

- $0-2,500 = 0%
- $2,501-15,000 = 10%
- $15,001-25,000 = 25%
- $25,000+ = 35%

What are is the average, effective and marginal tax rates?

- **Tax Paid**
  - First Bracket - 2,500 x 0% = $0
  - Second Bracket - 15,000 - 2,500 x 10% = $1,250
  - Third Bracket - 17,500 - 15,000 x 25% = $625
  - Fourth Bracket - $0
  - Total Taxes = $0 + $1,250 + $625 + $0 = **$1,875**
- **Average Tax Rate**
  - Total Tax/Taxable Income
  - $1,875/$17,500 = **10.71%**
- **Effective Tax Rate**
  - Total Tax/All Income
  - $1,875/$27,500 = **6.82%**
- **Marginal Tax Rate**
  - Tax rate of the next dollar earned
  - **25%**

Bonus Topics

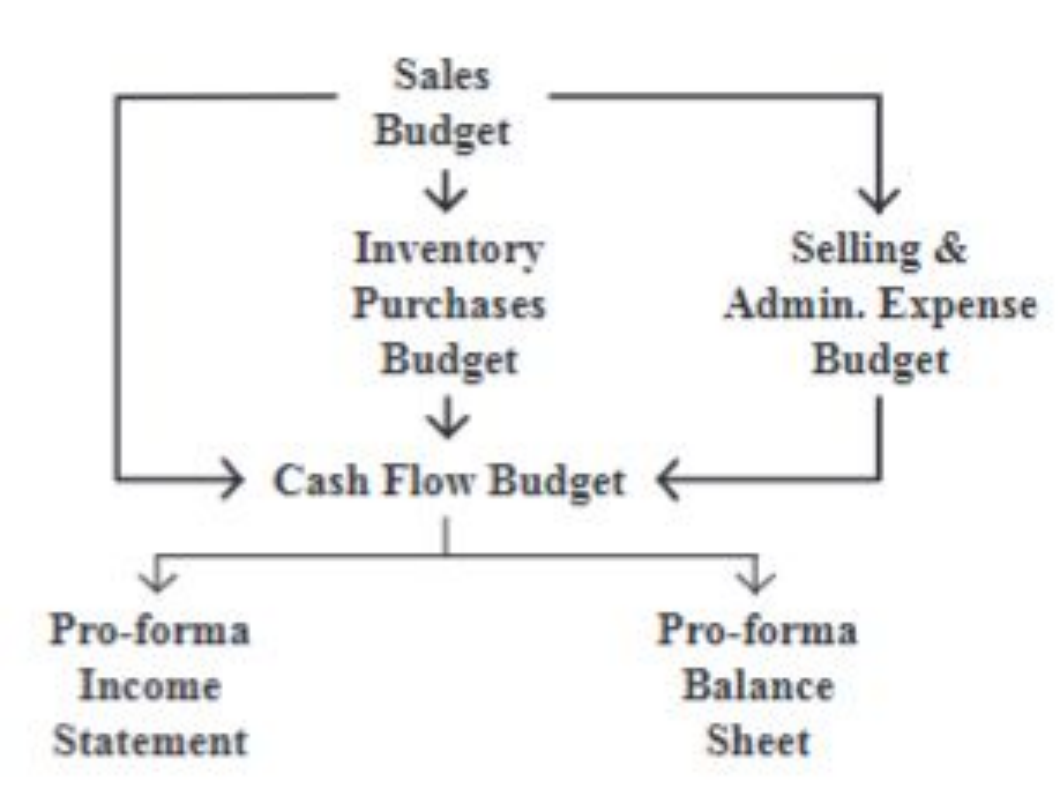
- Product vs Period Cost
- Discontinued Product
- Sequence of Budgets
- Balance Scorecard
- Elements of EY Mindset
- ESG
- Detective vs Preventative Controls

Product vs Period Costs

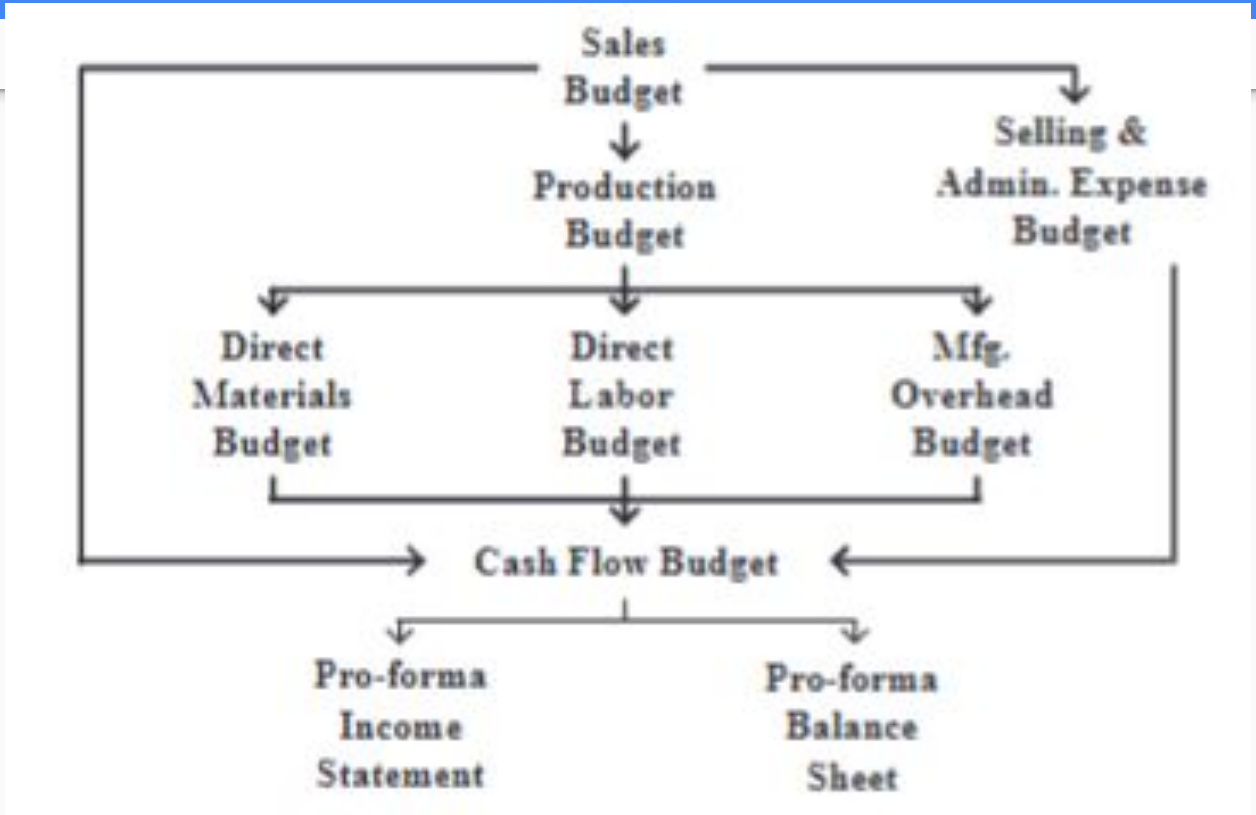
Module 11

- Product Costs - Costs associated with making or buying a product
  - Tracked as assets on the balance sheet
  - Direct and indirect labor and materials
  - Rent, Depreciation, and Maintenance of Factory Building and Equipment
- Period Costs - Selling and Administrative costs of operating a business
  - Tracked as expenses on the income statement
  - Office staff wages, selling and admin expenses

Sequence of Budgets - Merchandising



Sequence of Budgets - Manufacturing



Preventative vs Detective Controls

Module 9

- Preventative - to keep errors in accounting from occuring in the first place
  - Separation of duties
  - Physical controls - assets locked up
  - Proper Authorization
  - Systems Controls and Safeguard - Passwords
- Detective - to detect errors and fraud that has already occured
  - Report Review
  - Data Analytics
  - Reconciliation
  - Internal Audits

Discontinuation of a product

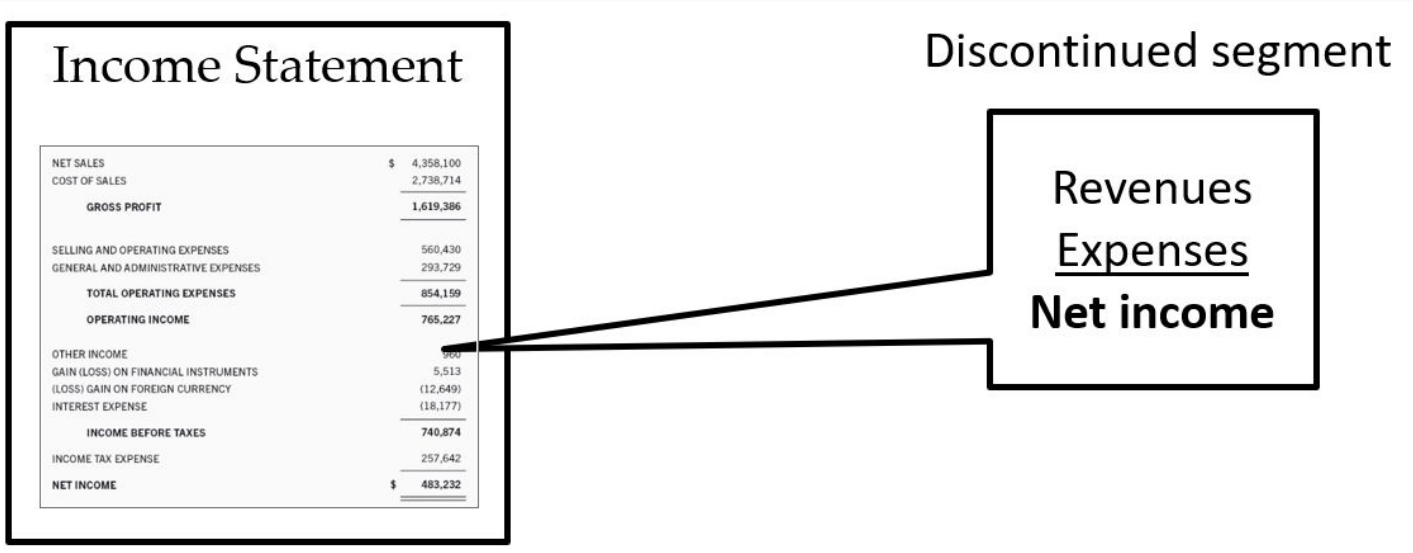
Module 12

- What happens to the income statement when a product is discontinued?

Discontinuation of a product

Module 12

- What happens to the income statement when a product is discontinued?
  - Net income or loss on discontinued segment is presented in its own line



Elements of EY Analytics Mindset

Module 14

1. Ask the right questions.
2. Extract, transform and load relevant data (i.e., the ETL process).
3. Apply appropriate data analytics techniques.
4. Interpret and share the results with stakeholders.

ESG Reporting
Module 7

Environmental: How does my company impact the environment?

- Greenhouse gas emissions
- Energy and fuel management
- Air quality

Social: How does my company impact people?

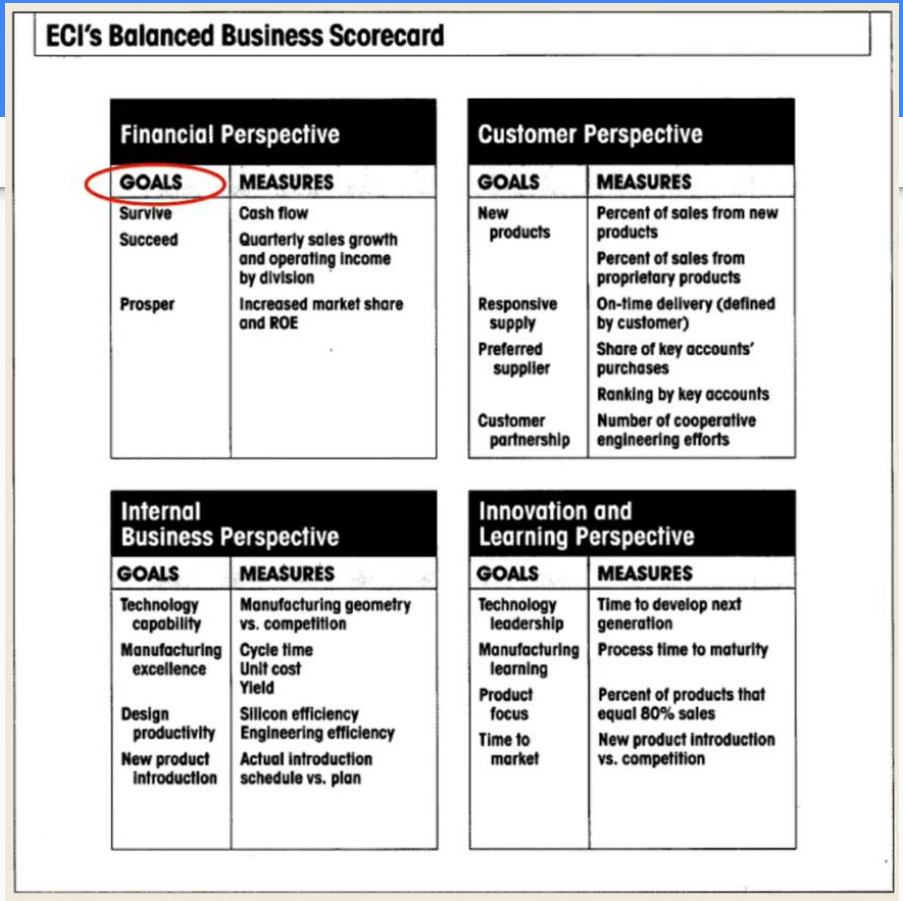
- Labor relations
- Diversity and inclusion
- Human rights
- Employee health and safety

Governance: Does my company operate with integrity & ethics?

- Business ethics
- Conflicts of interest
- Political influence
- Illegal practices

Balanced Scorecard

Module 14



ECI's Balanced Business Scorecard

Financial Perspective

GOALS	MEASURES
Survive	Cash flow
Succeed	Quarterly sales growth and operating income by division
Prosper	Increased market share and ROE

Customer Perspective

GOALS	MEASURES
New products	Percent of sales from new products
	Percent of sales from proprietary products
Responsive supply	On-time delivery (defined by customer)
Preferred supplier	Share of key accounts' purchases
	Ranking by key accounts
Customer partnership	Number of cooperative engineering efforts

Internal Business Perspective

GOALS	MEASURES
Technology capability	Manufacturing geometry vs. competition
Manufacturing excellence	Cycle time Unit cost Yield
Design productivity	Silicon efficiency Engineering efficiency
New product introduction	Actual introduction schedule vs. plan

Innovation and Learning Perspective

GOALS	MEASURES
Technology leadership	Time to develop next generation
Manufacturing learning	Process time to maturity
Product focus	Percent of products that equal 80% sales
Time to market	New product introduction vs. competition