AFM 102
Managerial Accounting

Professor J.J. Tian • Winter 2014 • University of Waterloo

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Future Modifications

1 Introduction

Definition 1.1. Managerial accounting is about providing information internally to managers to meet their decision needs.

2 Core Concepts

- Cost management
- Performance measurement and evaluation
- Budgets

Qualities	Financial Accounting	Managerial Accounting
Reports	Externally	Internally
Emphasizes	• Past activities • Reliability • Summary data	• Future activities • Relevance • Detailed segmented data
Reporting rules	IFRS (mandatory)	Not mandatory, no rules (driven by decision needs)

Quote. Final exam is not cumulative. Does not included midterm material

Definition 2.1. Decentralization is the delegation of decising making to managers and providing them with the authority to make key decisions relating to their area of responsibility

Definition 2.2. Product costs provide future benefits.

- **Direct Materials** - Materials that go into the finished product and can be traced to it.
- **Direct Labour** - Labour costs that can be traced to individual units of production.
- **Manufacturing Overhead** - All other costs
  - **Indirect labour** - Maintenance, security
  - **Indirect materials** - Lubricants, cleaning supplies

Definition 2.3. Period costs provide benefits that do not carry into the future.

$$\text{Beginning Inventory} + \text{Purchases} = \text{Ending Inventory} + \text{COGS}$$

2.1 Some other stuff

If people work overtime, only the overtime premium goes into manufacturing overhead. Rest goes into direct labour.

Note. Idle time goes into manufacturing overhead

Definition 2.4. Fixed costs are costs that remain inchanged within a relevant range. Cost per unit is variable and activity cost is constant.

- Commmitted: Particularly difficult to adjust, long term: plant, major equipment
- Discretionary: Moer flexible, short -term (eg: R &D, advertising)

Definition 2.5. Variable costs are costs that change in direct proportion to changes in the level of activity. Cost per unit is constant and activity cost is variable.

Definition 2.6. Opportunity cost is the potential benefit tht is given u when an alternative is selected over another. Not recorded, but should be considered in every managerial decision.

Definition 2.7. Sunk costs are costs that have already been incurred and cannot be changed by any decision.

Definition 2.8. Step-variable cost are costs that are incurred in chunks. Discrete graph increasing in steps.

Definition 2.9. Mixed costs include both fixed and variable costs. $y = a + bx$.

Definition 2.10. High-low method uses both the highest activity level and lowest activity level to generate a variable cost per unit (slope). Then use point-slope graph formula to calculate fixed cost.

$$\frac{\text{\$ at highest activity level} - \text{\$ at lowest activity level}}{\text{Highest activity} - \text{Lowest activity}}$$

Definition 2.11. Regression analysis utilizes all teh available data points, and tries to fit a line to the data points while attempting to minimize errors.

Definition 2.12. The Contribution Format is an income statement format that separates expenses into fixed costs and variable costs. Subtotals vary but total cost is the same.

Definition 2.13. Contributon margin is the amount remaining from sales after variable costs are deducted.