

AFM 102

MANAGERIAL ACCOUNTING

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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	<ul style="list-style-type: none"> • Past activities • Reliability • Summary data 	<ul style="list-style-type: none"> • 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 deciding 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 unchanged within a relevant range. Cost per unit is variable and activity cost is constant.

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 that is given up 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.