**✅ PDF 1: Accounting in Action (Day 1, Session 1 - Part 1)**

**📌 What it's about:**  
Introduces the **foundations of accounting**, types of accounts, the basic accounting equation, and how transactions affect accounts. It also walks through practical examples using a fictional business, Softbyte.

**🧠 Why it matters:**  
This helps you understand how financial data is recorded, how business events affect a company’s financial position, and how financial statements are constructed.

**📊 Decisions it supports:**

* Assessing financial health
* Preparing and analyzing financial reports
* Understanding profit vs. investment vs. expense

**🔍 Core Concepts:**

* **Accounting** = System to **Identify, Record, and Communicate** economic activities.
* **5 Types of Accounts**:
  + **Assets**: What the business owns (e.g. cash, equipment)
  + **Liabilities**: What the business owes (e.g. accounts payable)
  + **Owner’s Equity**: Owner’s claims after liabilities
  + **Revenue**: Income from services/products
  + **Expenses**: Costs to earn revenue
* **Basic Accounting Equation**:  
  👉 Assets = Liabilities + Owner’s Equity
* **Owner’s Equity Increases**: Through investments and revenue
* **Owner’s Equity Decreases**: Through expenses and withdrawals
* **Transaction Analysis**: Every business transaction affects at least two accounts to keep the equation in balance.
* **Types of financial statements**:
  + **Income Statement**: Revenues - Expenses = Net Income
  + **Owner’s Equity Statement**: Changes in owner’s investment
  + **Balance Sheet**: Snapshot of assets, liabilities, equity
  + **Cash Flow Statement**: Cash in and out over time

**📘 Key Definitions:**

* **Revenue**: Money earned from business operations.
* **Expense**: Cost of doing business (e.g. rent, salaries).
* **Accounts Payable**: Money owed by the company.
* **Accounts Receivable**: Money expected from customers.
* **Drawings**: Owner withdrawing money for personal use.

**🧾 Quick Takeaways:**

* Always balance every transaction using the equation.
* Equity changes with revenue (+), expense (-), and owner’s actions.
* Financial statements are interconnected—one feeds into another.
* Practice with small examples like "Softbyte" builds strong foundation.

**✅ PDF 2: Debit-Credit Concepts (Day 1, Session 1 - Part 2)**

**📌 What it's about:**  
Explains the **debit-credit system**, the **double-entry principle**, and how each type of account behaves when debited or credited.

**🧠 Why it matters:**  
This is **core to understanding journal entries**, trial balances, and ledger updates.

**📊 Decisions it supports:**

* Recording accurate transactions
* Understanding account behavior
* Avoiding basic errors in financial reports

**🔍 Core Concepts:**

* **T-Account Format**: Left = Debit, Right = Credit
* **Debit** = Increase in assets or expenses
* **Credit** = Increase in liabilities, equity, or revenues
* **Double Entry System**:  
  👉 Every transaction affects **at least two accounts**. Debits always = Credits.
* **Normal Balances**:
  + Assets & Expenses → Normally **Debit**
  + Liabilities, Owner’s Capital, Revenue → Normally **Credit**

**📘 Key Definitions:**

* **Debit (DR)**: Entry on left side, increases assets/expenses
* **Credit (CR)**: Entry on right side, increases liabilities/equity/revenue
* **Normal Balance**: Usual side of the account where increases occur

**🧾 Quick Takeaways:**

* Mastering debit/credit is essential for all further accounting work.
* Use the **T-account** to visually balance transactions.
* Think of every transaction as a cause-effect on two (or more) accounts.

**✅ PDF 3: Merchandising Operations (Day 1, Session 2 - Part 2)**

**📌 What it's about:**  
Explains how **merchandising companies** work—buying and selling goods—and how to record purchases, sales, discounts, freight, and returns.

**🧠 Why it matters:**  
It introduces the **cost of goods sold (COGS)** concept and how it affects profit. Critical for inventory-based businesses.

**📊 Decisions it supports:**

* Evaluating profitability
* Managing stock, returns, and discounts
* Understanding the flow of goods and cash

**🔍 Core Concepts:**

* **Merchandisers**: Buy goods to resell (e.g. wholesalers, retailers)
* **COGS (Cost of Goods Sold)**:  
  → Beginning Inventory + Purchases – Ending Inventory
* **Gross Profit** = Sales Revenue – COGS
* **Net Income** = Gross Profit – Operating Expenses
* **Inventory systems**:
  + **Periodic**: Inventory updated at intervals
  + **Perpetual**: Inventory updated continuously
* **Shipping terms**:
  + **FOB Shipping Point**: Buyer pays shipping
  + **FOB Destination**: Seller pays shipping
* **Returns & Allowances**:
  + **Sales Return**: Buyer returns goods
  + **Sales Allowance**: Price reduction without return
* **Purchase/Sales Discounts**: Encourage early payments  
  → e.g., 2/10, n/30 means 2% discount if paid within 10 days
* **Income Statement Types**:
  + **Single-step**: All revenues – all expenses
  + **Multi-step**: Includes subtotals like Gross Profit & Operating Income

**📘 Key Definitions:**

* **FOB**: “Free on Board,” determines who pays shipping.
* **Debit Memorandum**: Used by buyers to claim returns.
* **Sales Discount**: Discount for paying early.
* **Gross Profit**: Profit before subtracting operating costs.

**🧾 Quick Takeaways:**

* Merchandising involves tracking inventory and sales intricately.
* Understand **COGS and profit flow** to see business performance.
* Be clear on **return/discount policies** and **freight cost ownership**.

**🧠 Summary Takeaways for All 3 PDFs (Quick Revision)**

| **Topic** | **Key Idea** |
| --- | --- |
| **Accounting Equation** | Assets = Liabilities + Owner’s Equity |
| **Debit/Credit Rule** | Debit = Left (↑ assets/expenses), Credit = Right (↑ liabilities/revenue) |
| **Types of Accounts** | Asset, Liability, Equity, Revenue, Expense |
| **Softbyte Example** | Teaches how real-life business transactions affect accounts |
| **Merchandising** | Involves inventory, COGS, discounts, returns |
| **Gross vs Net Income** | Gross = Sales – COGS; Net = Gross – Operating Expenses |
| **Inventory Systems** | Periodic vs Perpetual |
| **Financial Statements** | 4 types: Income Statement, Equity, Balance Sheet, Cash Flows |

Absolutely, let’s continue with the next 3 PDFs in your **Accounting For Decision Making** batch using the same clear and exam-friendly format.

### ✅ ****PDF 4: Recording Process (Day 1, Session 2 - Part 1)****

**📌 What it's about:**  
Explains how accounting transactions are recorded using **journals**, **ledgers**, and **trial balances**—the backbone of bookkeeping.

**🧠 Why it matters:**  
This is where theory becomes practice. Without mastering journalizing and posting, you can’t prepare accurate financial reports.

**📊 Decisions it supports:**

* Maintaining financial records
* Detecting and correcting errors
* Preparing for financial reporting and auditing

### 🔍 Core Concepts:

* **Recording Process**:
  1. Analyze the transaction
  2. Journalize it (record in journal)
  3. Post to ledger (classify into accounts)
* **Journal** (aka General Journal):
  1. Chronological list of transactions
  2. Each entry shows: date, accounts, debit/credit, explanation
* **Ledger**:
  1. Collection of all accounts (cash, capital, rent expense, etc.)
  2. Shows running balances for each account
* **Chart of Accounts**:
  1. List of all account names and numbers
* **Types of Entries**:
  1. **Simple Entry**: 1 debit & 1 credit
  2. **Compound Entry**: More than 2 accounts involved
* **Trial Balance**:
  1. Lists all accounts and balances
  2. Verifies that **Debits = Credits**

### 📘 Key Definitions:

* **Journalizing**: Writing transactions into the journal.
* **Posting**: Transferring journal entries into specific accounts in the ledger.
* **Trial Balance**: Internal report to confirm the books are balanced before preparing statements.

### 🧾 Quick Takeaways:

* Journal first, then ledger, then trial balance. Always this order.
* Trial balance helps detect errors before making financial statements.
* Debits and credits must always match for each transaction.

### ✅ ****PDF 5: Cash Flow Statement (L2-S1-Part 2)****

**📌 What it's about:**  
Covers the **Cash Flow Statement**, explaining how money moves in and out of a business across operating, investing, and financing activities.

**🧠 Why it matters:**  
Helps understand **liquidity** (short-term cash availability) and **solvency** (ability to pay long-term obligations).

**📊 Decisions it supports:**

* Can the company meet payroll?
* Can it invest in new assets or pay debts?
* How is the business really performing beyond profits?

### 🔍 Core Concepts:

* **3 Types of Cash Flows**:
  1. **Operating Activities** (core business): cash received from sales, paid for expenses
  2. **Investing Activities**: buying/selling assets (e.g. equipment, land)
  3. **Financing Activities**: borrowing, issuing shares, paying dividends
* **Net Income vs Net Cash Flow**:
  1. **Net Income**: Includes credit-based income and expenses
  2. **Net Cash Flow**: Reflects actual cash received/spent
* **Direct vs Indirect Method**:
  1. **Direct**: Shows all cash receipts/payments
  2. **Indirect**: Starts from Net Income and adjusts for non-cash items and working capital changes
* **Adjustments in Indirect Method**:
  1. Add: depreciation, increase in liabilities, decrease in current assets
  2. Subtract: increase in current assets, decrease in liabilities

### 📘 Key Definitions:

* **Solvency**: Can the business survive long-term?
* **Liquidity**: Does the business have enough cash now?
* **Prepaid Expense**: Payment made in advance (e.g. insurance)
* **Unearned Revenue**: Money received for services not yet provided

### 🧾 Quick Takeaways:

* Cash flow gives the **real picture** of business health.
* Net income ≠ cash in hand!
* Most companies use the **indirect method** for reporting operating cash flows.

### ✅ ****PDF 6: Depreciation & Inventory Valuation (L2-S2-Part-1)****

**📌 What it's about:**  
Explains how to **allocate cost over time (depreciation)** and how to **value inventory**, both of which directly affect income and assets.

**🧠 Why it matters:**  
These methods change how profit appears. Two companies with the same sales might show different profits due to depreciation/inventory methods.

**📊 Decisions it supports:**

* Estimating asset value over time
* Choosing the best inventory method for tax/profit optimization
* Understanding cost allocation

### 🔍 Core Concepts:

#### 📉 Depreciation

* **Definition**: Gradual expense of using long-term assets
* **Key Components**: Cost, Useful life, Salvage value, Method
* **Common Methods**:
  1. **Straight Line** = (Cost – Salvage Value) ÷ Useful Life
  2. **Decreasing Balance** = Depreciation on declining book value
* **Example**:
  1. Cost = 12,000, Salvage = 2,000, Life = 8 yrs → Yearly Depreciation = 1,250
  2. Sold for 8,500 after 3.5 years → Gain = 875

#### 📦 Inventory Valuation

* **Formula**:  
  COGS = Beginning Inventory + Purchases – Ending Inventory  
  Gross Profit = Sales – COGS
* **Methods**:
  1. **FIFO** (First In First Out): New stock stays, old stock sold
  2. **LIFO** (Last In First Out): New stock sold first
  3. **Weighted Average**: Based on average cost per unit
* **Impact**:
  1. Higher ending inventory = lower COGS = higher profit
  2. Method choice affects both income statement and balance sheet

### 📘 Key Definitions:

* **Salvage Value**: Estimated value at end of asset life.
* **COGS**: Cost of goods sold.
* **FIFO/LIFO**: Inventory flow assumptions.
* **Book Value (BV)**: Cost – Accumulated Depreciation.

### 🧾 Quick Takeaways:

* **Straight line** is simple and common; **declining balance** fits fast-depreciating assets.
* Inventory method affects reported profit—choose wisely.
* Overstated ending inventory means overstated profit.

## 🔁 Batch Summary: Fast Revision Table

| **📘 Topic** | **🔑 Key Formula / Point** |
| --- | --- |
| **Journalizing** | Record ➝ Post ➝ Balance |
| **Ledger** | Shows each account’s changes |
| **Trial Balance** | Verifies Debits = Credits |
| **Cash Flow Types** | Operating, Investing, Financing |
| **Depreciation** | SL: (Cost – Salvage)/Life |
| **Inventory** | COGS = BI + Purchases – EI |
| **FIFO vs LIFO** | Affects Profit & COGS |
| **Indirect Cash Flow** | Adjust Net Income for cash items |

Great! Let’s now complete the **Accounting For Decision Making** batch by summarizing the **last 3 PDFs** using the same format you liked.

### ✅ ****PDF 7: Ratio Analysis – Class (L2-S2-Ratio Analysis-Class)****

and

### ✅ ****PDF 8: Ratio Analysis – Reading (L2-S2-Ratio Analysis-Reading)****

🧩 These two files cover the **same topic** (Ratio Analysis) with overlaps, so I’ve combined them into one summary for clarity.

**📌 What it's about:**  
This topic explains **Ratio Analysis**—a technique to evaluate a company’s **liquidity, profitability, efficiency, and solvency** by using numbers from financial statements.

**🧠 Why it matters:**  
Ratios help you understand a company’s strengths and weaknesses using **quantitative comparisons**—internally (past vs present), against competitors, and against industry benchmarks.

**📊 Decisions it supports:**

* Can we pay bills on time? (Liquidity)
* Are we making enough profit? (Profitability)
* Are we collecting payments and selling efficiently? (Efficiency)
* Can we repay long-term debts? (Solvency)

### 🔍 Core Concepts:

#### 🧪 1. Liquidity Ratios

* **Current Ratio** = Current Assets / Current Liabilities  
  → Can we pay short-term obligations?
* **Quick Ratio (Acid Test)** = (Cash + Receivables + Marketable Securities) / Current Liabilities  
  → Can we pay immediately without selling inventory?

#### 💰 2. Profitability Ratios

* **Profit Margin** = Net Income / Net Sales  
  → How much profit from each sale?
* **Return on Assets (ROA)** = Net Income / Average Total Assets  
  → How efficiently are assets being used?
* **Return on Equity (ROE)** = Net Income / Average Owner’s Equity  
  → What is the return for shareholders?
* **Return on Investment (ROI)** = Net Income / (Avg. Long-Term Liabilities + Owner's Equity)  
  → Measures return on total capital employed.

#### 🔁 3. Efficiency (Activity) Ratios

* **Inventory Turnover** = Cost of Goods Sold / Avg. Inventory  
  → How fast inventory is sold?
* **Receivables Turnover** = Net Sales / Avg. Accounts Receivable  
  → How fast customers pay?
* **Asset Turnover** = Net Sales / Avg. Total Assets  
  → How efficiently assets generate sales?

#### 🧱 4. Solvency (Leverage) Ratios

* **Debt to Total Assets** = Total Liabilities / Total Assets  
  → How much of assets are financed by debt?
* **Debt to Equity Ratio** = Total Liabilities / Total Equity  
  → Risk level from creditors vs owners
* **Times Interest Earned** = (EBIT) / Interest Expense  
  → Can the company cover interest payments?

### 📘 Key Definitions:

* **Liquidity**: Ability to meet short-term obligations.
* **Profitability**: Ability to generate income.
* **Efficiency**: Effectiveness in using resources.
* **Solvency**: Long-term financial health.
* **EBIT**: Earnings Before Interest and Taxes.

### 🧾 Quick Takeaways:

* Use multiple ratios together for a full financial picture.
* Compare ratios over time and with competitors to identify trends.
* Liquidity ≠ Profitability. A profitable company can still be cash-starved.
* High debt = high risk, but can also mean aggressive growth.

### ✅ ****PDF 9: Internal Control System and Auditing (by Sagar Sen)****

**📌 What it's about:**  
Explains what **internal control systems** are, their importance, **roles of internal auditors**, and **basic auditing techniques**. Also touches on **bank reconciliation**, **IT system review**, and how to spot red flags during audits.

**🧠 Why it matters:**  
Internal control ensures **accurate financial data**, prevents fraud, and ensures compliance. Auditing is essential for **transparency and trust** in business.

**📊 Decisions it supports:**

* Are our processes secure and legal?
* Are we managing risk and fraud?
* Can external auditors rely on our records?

### 🔍 Core Concepts:

#### 🔐 Internal Control Components:

1. **Control Environment** – Management's attitude toward control
2. **Risk Assessment** – Identifying risks
3. **Control Activities** – Policies and procedures
4. **Information & Communication** – Proper flow of data
5. **Monitoring** – Ongoing review

#### 🧪 Examples of Control Activities:

* Physical security: Locks, safes, cameras
* IT controls: Passwords, audit logs
* Approvals, segregation of duties

#### 🔍 Audit Procedures:

* **Inquiry**: Ask questions
* **Inspection**: Check documents/assets
* **Observation**: Watch processes
* **Confirmation**: Validate with third parties
* **Recalculation/Reperformance**: Check accuracy

#### 🔎 Types of Analysis:

* **Horizontal**: Compare over years
* **Industry Benchmarking**: Compare with competitors
* **Budget Analysis**: Compare actuals to forecast
* **Seasonality Check**: Detect abnormalities

#### 🏦 Bank Reconciliation:

* Match company books with bank statement
* Adjust for:
  + **Deposits in transit**
  + **Outstanding checks**
  + **Bank fees or interest**
* Should be done by someone **not involved with cash handling**

### 📘 Key Definitions:

* **Internal Audit**: Independent assessment of internal controls
* **Fraud Indicators**: Red flags like excessive name-dropping, unrealistic claims
* **Bank Memo**: Bank charges (debit memo) or interest income (credit memo)
* **Reconciling Item**: Differences to adjust in cash book/bank statement

### 🧾 Quick Takeaways:

* Strong internal control = fewer errors + less fraud + trust
* Auditing isn't just theory—it’s about asking smart, skeptical questions
* Reconciliation is not optional—it protects your cash!
* IT and physical systems are both critical in modern audits

## 🔁 Final Quick Revision: Batch Takeaways Table

| **📘 Topic** | **🔑 Summary Point** |
| --- | --- |
| **Journal & Ledger** | Core for tracking transactions |
| **Trial Balance** | Ensures books are balanced |
| **Cash Flow** | Tracks cash, not profit |
| **Depreciation** | Allocates asset cost over time |
| **Inventory Valuation** | FIFO, LIFO, Avg. affect profit |
| **Ratio Analysis** | Measures liquidity, profit, efficiency, solvency |
| **Internal Control** | Prevents fraud, ensures accuracy |
| **Auditing** | Verifies systems & data; ensures compliance |

Here are the summaries of your remaining PDFs for the **Accounting for Decision Making** course using the format you liked:

### 📘 ****1. Cost Concepts and Costing System for IT Industry****

#### ✅ What it’s about:

This chapter explains different types of costs used in managerial accounting, especially within IT and manufacturing contexts. It shows how businesses classify, calculate, and manage their costs to make better decisions.

#### 🧠 Why it matters:

Understanding cost behavior (fixed vs. variable, product vs. period) is crucial for setting prices, controlling expenses, and maximizing profits. For IT/ITeS companies, cost classification helps plan budgets and analyze financial performance.

#### 💼 What decisions it helps with:

* Cost control and budgeting
* Pricing strategies
* Profitability analysis of services or products
* Inventory and production planning

#### 📌 Core Concepts:

* **Managerial Accounting vs Financial Accounting**: Managerial focuses on future/internal decisions; Financial is for past/external reporting.
* **Product Costs**: Direct materials, direct labor, and manufacturing overhead—go into inventory.
* **Period Costs**: Selling and admin expenses—not tied to production.
* **Direct vs Indirect Cost**: Directly traceable (e.g. raw materials) vs shared across units (e.g. electricity).
* **Fixed vs Variable Cost**:
  + Fixed Cost: Doesn’t change with production (e.g. rent)
  + Variable Cost: Increases with activity (e.g. raw materials)
* **Sunk Cost**: Already spent—irrelevant for future decisions.
* **Opportunity Cost**: Value of the next best alternative you give up.
* **Manufacturing vs Merchandising Companies**:
  + Merchandisers buy & sell finished goods.
  + Manufacturers create goods using raw materials.

#### 📈 Examples & Formulas:

* **Inventory Flow**: Raw materials → Work in Process → Finished Goods → COGS
* **COGS Formula**:
* Beginning Inventory + Purchases - Ending Inventory = Cost of Goods Sold
* **Total Manufacturing Cost** = Direct Materials + Direct Labor + Overhead
* **Cost Behavior**:
  + Variable Cost per unit: Constant
  + Fixed Cost per unit: Decreases as production increases

#### 🔑 Key Takeaways:

* Classify costs accurately to make smart financial decisions.
* Always ignore sunk costs when choosing between alternatives.
* Product vs. Period cost distinction helps with correct financial reporting.
* Fixed and variable costs impact profit differently depending on scale.

### 📘 ****2. Budgeting Techniques and Budgetary Control for IT Industry****

#### ✅ What it’s about:

This section covers how businesses prepare different types of budgets (like sales, production, labor, and cash budgets) to plan and control their finances. It walks through Royal Company’s budget planning.

#### 🧠 Why it matters:

Budgeting helps predict future financial needs, ensure funds are available, and align resources with company goals.

#### 💼 What decisions it helps with:

* Production scheduling
* Resource and material planning
* Cash flow management
* Hiring and labor allocation
* Investment and equipment purchase planning

#### 📌 Core Concepts:

* **Master Budget**: Includes all other budgets (sales, production, materials, labor, overhead, admin, and cash).
* **Sales Budget**: Forecasts units and revenue from expected sales.
* **Production Budget**: Ensures enough products are made to meet sales and maintain inventory.
* **Direct Materials Budget**: Plans how much raw material is needed and when to purchase.
* **Direct Labor Budget**: Calculates required labor hours and costs.
* **Manufacturing Overhead Budget**: Estimates variable and fixed overheads.
* **Cash Budget**: Forecasts inflows (from sales) and outflows (expenses, purchases).
* **Budgeted Income Statement & Balance Sheet**: Summarizes profitability and expected financial position.

#### 📊 Examples:

* **Cash Collection Pattern**:  
  70% same month, 25% next month, 5% uncollectible.
* **Production Inventory Rule**:  
  End inventory = 20% of next month's sales.

#### 🔑 Key Takeaways:

* Budgeting aligns daily operations with long-term strategy.
* Cash budgeting ensures liquidity even during high spending months.
* Labor and overhead budgeting help manage resources efficiently.
* Budgeting isn’t just about planning—it’s a control mechanism.

### 📘 ****3. Incremental Analysis & Relevant Cost Information for Decision Making****

#### ✅ What it’s about:

Focuses on **relevant costing**, a technique to support decisions by comparing only those costs and revenues that change between alternatives (e.g., make vs buy, drop vs retain product lines, special orders).

#### 🧠 Why it matters:

Helps avoid poor decisions by excluding irrelevant data (like sunk costs) and focusing on impact on future profits.

#### 💼 What decisions it helps with:

* Whether to outsource or produce in-house
* Whether to keep or discontinue a product/branch
* Whether to accept a one-time special price

#### 📌 Core Concepts:

* **Relevant Cost**: Only costs that change based on your decision.
* **Avoidable Cost**: Can be eliminated by choosing one option.
* **Sunk Cost**: Already spent—should be ignored.
* **Traceable vs Common Fixed Cost**:
  + Traceable: Can be removed if a segment is dropped.
  + Common: Shared and cannot be avoided even if a segment is closed.
* **Segment Margin**: Contribution margin minus traceable fixed costs (used to evaluate profitability of segments).
* **Make or Buy**: Compare internal production cost vs supplier price.
* **Special Order**: Accepting lower price only makes sense if it covers variable costs and doesn't affect regular sales.

#### 🔑 Key Takeaways:

* Ignore sunk and irrelevant costs—focus on what actually changes.
* If a product has a positive segment margin, don’t drop it!
* Special decisions (like orders or outsourcing) need careful cost-benefit comparison, not just instinct.
* Always separate traceable and common fixed costs when evaluating segments.

### 📝 Most Important Batch-Wide Takeaways (for fast revision):

1. **Managerial Accounting** is for internal planning and decision-making (not for external stakeholders).
2. **Costs matter differently** depending on the decision (sunk cost ≠ relevant).
3. **Classify correctly**:
   * Product vs Period
   * Fixed vs Variable
   * Direct vs Indirect
4. **Budgeting** ensures planning, coordination, and control of resources.
5. **Relevant Costing** focuses only on the information that actually changes.
6. **Segment Margin** is your best friend for product or division-level decisions.
7. **Special orders & Make-or-Buy** scenarios test your ability to apply cost concepts.

Perfect! Here's the final summary from your uploaded batch:

### 📘 ****4. Cost-Volume-Profit (CVP) Analysis****

#### ✅ What it’s about:

This section explains how costs, sales volume, and profit are related. CVP analysis helps determine the **break-even point**, how changes in pricing or costs affect profits, and how many units need to be sold to achieve target profit.

#### 🧠 Why it matters:

It provides a **framework for decision-making**, especially when pricing a product, launching a new item, or analyzing what happens if sales increase or decrease.

#### 💼 What decisions it helps with:

* Setting sales targets
* Pricing strategy
* Cost control planning
* "What-if" scenario analysis (e.g., impact of price drop or cost increase)

#### 📌 Core Concepts:

##### 🧾 Basic Formulas:

* **Contribution Margin (CM)** = Sales – Variable Costs  
  → Profit from each unit after covering variable cost
* **Contribution Margin Ratio** = CM ÷ Sales  
  → Portion of sales that contributes to covering fixed costs
* **Break-Even Point (Units)** = Fixed Costs ÷ CM per Unit
* **Break-Even Point (Sales Tk.)** = Fixed Costs ÷ CM Ratio
* **Target Profit (Units)** = (Fixed Costs + Desired Profit) ÷ CM per Unit
* **Target Profit (Sales Tk.)** = (Fixed Costs + Desired Profit) ÷ CM Ratio

##### 🔁 Cost Behaviors:

* **Fixed Cost**: Stays constant regardless of units sold
* **Variable Cost**: Increases with each unit sold
* **Mixed Cost**: Has both fixed and variable elements

#### 💡 Examples:

* If CM per unit = 20, Fixed Costs = 50,000  
  → Break-Even = 50,000 ÷ 20 = **2,500 units**
* If a company wants to earn 10,000 profit:  
  → (50,000 + 10,000) ÷ 20 = **3,000 units**

##### 🔄 Margin of Safety:

* **Definition**: Amount sales can drop before you reach break-even
* **Formula**: Actual Sales – Break-even Sales  
  → Helps evaluate **risk level**

#### 📘 Key Definitions:

* **Break-Even Point**: No profit, no loss; just covering all costs.
* **Contribution Margin (CM)**: Amount each unit contributes to covering fixed costs.
* **Margin of Safety**: Cushion between actual sales and break-even.

#### 🧾 Quick Takeaways:

* CVP is your go-to model for analyzing how cost and volume affect profit.
* The **higher the CM**, the fewer units you need to break even.
* Use **target profit formulas** to set realistic business goals.
* **Margin of safety** is crucial to assess risk in downturns.

## 🔁 Final Fast-Revision Table for This Entire Upload Set

| **📘 Topic** | **🔑 Key Point** |
| --- | --- |
| **Cost Concepts** | Classify cost types: fixed/variable, direct/indirect |
| **Budgeting** | Master budget = sales + production + cash + income statement |
| **Relevant Costing** | Only consider avoidable, changing costs |
| **Make vs Buy / Drop Decisions** | Base on segment margin, not common costs |
| **CVP Analysis** | Profit = CM × Units – Fixed Costs |
| **Break-Even Analysis** | BE Units = Fixed Costs ÷ CM per unit |
| **Margin of Safety** | Sales buffer before loss zone |

You’re now fully covered for your **Accounting for Decision Making** mid-term exam at IBA.

Would you like:

* A **one-page cheat sheet** for quick memorization?
* **Practice questions/MCQs** from these topics?
* Or should we now start summarizing the next subject (e.g., Data-Driven Decision Making)?

Let me know how you'd like to proceed!