

Accounting 2302

August 22, 2012

- ❖ Cost ↓ , Quality ↑ , thus Revenues ↑ (Walmart Model)
- ❖ Cost/Managerial accounting is all internal and has no rules
- ❖ Cost/Managerial accounting talks about everything in the future
- ❖ 3 Vital Activities
 - Planning, controlling, and decision making
- ❖ **Read Exhibit 1 from book (pg. 10)**

August 24, 2012

- ❖ 3 Types of Major Companies
 - Service – selling their “brain”
 - Examples: SMU, Merrill Lynch
 - Merchandising
 - Examples: Target, Walmart, and Home Depot
 - Manufacturing
 - Example: Nestle
- ❖ 3 Manufacturing Costs (Product Costs)
 - Direct Materials (DM)
 - Direct Labor (DL)
 - Factory Overhead (FOH)
 - Everything that is not direct material and is not direct labor
- ❖ Prime Costs
 - Direct Materials (DM) & Direct Labor (DL)
- ❖ Conversion Costs
 - Direct Labor (DL) & Factory Overhead (FOH)
- ❖ Non-Manufacturing Costs [SGA] (On Income Statement / Called Period Costs)
 - Selling Costs, Administrative Cost, and General Cost
 - On balance sheet as an income expense
- ❖ **Product Costs vs. Period Costs**
- ❖ **Read Page 28 and 29-32**
- ❖ 3 Costs
 - Variable Costs
 - Fixed in the unit
 - Varies, in total, indirect proportion to changes in activity
 - Fixed Costs
 - Remain constant, in total, regardless of changes in the unit
 - Committed

- A lease on an apartment
 - Discretionary
 - Advertising, research, etc
- Mixed Costs
 - Contain both fixed and variable costs
- ❖ Relevant Range
 - The range of activity within which the assumption that cost behavior is strictly linear and is reasonably valid
- ❖ **Review Exhibit 2-5**
- ❖ Regression Analysis
 - $Y=a+bx$
 - Total Mixed Costs
 - Total fixed costs + variable cost * total units
- ❖ High-Low Method
 - *Variable Cost Per Unit* =
$$\frac{\text{Total cost highest} - \text{total cost lowest}}{\text{Highest Level of Activity} - \text{Lowest Level of Activity}}$$

August 29, 2012

- ❖ Traditional vs. Contribution Income Statements
 - Traditional – GAAP
 - Contribution – Non-GAAP, internal only
- ❖ BASES
 - Beginning + Addition = Subtotal – Ending = Subtracted
- ❖ BASSE
 - Beginning + Additional = Subtotal – Subtracted = Ending
- ❖ Cost Object
 - Anything for which cost data is desired
- ❖ Direct Cost
 - Direct Materials and Direct Labor (Incremental)
- ❖ Differential Cost
 - A difference in costs between any two alternatives
- ❖ Differential Revenue
 - A difference in revenues between any two alternatives
- ❖ Differential
 - Capable of making a difference in the decision making
- ❖ **Relevant Costs**
- ❖ Opportunity Cost
 - The potential benefit that is given up for the next best course of action
- ❖ Sunk Cost
 - A cost that has already been incurred and that cannot be changed by any decision made now or later. Not a differential cost
- ❖ **Exhibit 2-13**
- ❖ **Look at page 58**
- ❖ **Quality of Conformance**

- **Appraiser + Prevention (Cost of Quality)**
- ❖ Non-Conformance
 - Internal and external failure
- ❖ How to spread FOH costs
 - Job Order Costing
 - Unique / Individual Jobs
 - Used in situations where many different products are produced in each period
 - Process
- ❖ **Read “In Business” on page 85**
- ❖ Factory Overhead Applied is just an estimate
 - Applying means same as assign, allocate, and spread

August 31, 2012

- ❖ How to spread FOH
 - Direct Labor Hours (DLH)
 - Direct Manufacturing Hours (DMH)
 - Direct Labor Cost (DLC) [sqft, takeoffs/landings, etc]
- ❖ Indirect Materials = Raw Material
- ❖ Direct Materials = What has been used
- ❖ Predetermined Overhead Rate
 - $$\text{Predetermined Overhead Rate} = \frac{\text{Estimated Total Manufacturing Overhead Cost}}{\text{Estimated Total Amount of the Allocated Base}}$$
- ❖ Period Expense
 - Selling and Administrative Expenses
- ❖ Clearing accounts **must zero** out at the end of the period
- ❖ Overhead Applied (Estimated) is on the right side (pg. 97)
 - Under applied
 - COGS ↑, Net Income ↓, Gross Profit ↓
 - Over applied
 - COGS ↓, Net Income ↑, Gross Profit ↑
- ❖ Look at exhibit 3-11 & 3-8 on pg 116
- ❖ How to clear overhead account
 - Either ↓ or ↑ COGS, actual expense is always on the left

September 7, 2012

- ❖ **Read 3-13 on pg. 117**
- ❖ **Review exhibit 4-1 on pg 143**
- ❖ **Skip pg 145**
- ❖ **Review “Equivalent Units of Production” on pg 146**
- ❖ Process

- All equal and all uniform. Think of cans of soup
- ❖ Process Costing
 - Used most commonly in industries that convert raw materials into homogenous (uniform) products
- ❖ 2 Ways of Computing EFU/EU
 - FIFO Method (pg 169)
 - Weighted Average Method (pg 149)