# 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, Merril 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

## 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
* 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)