## Contents

	pageoniki, il se moldosi, mold	
part 1	Developing a Management Accounting Data Base	
1	The Managerial Accounting Environment	3
	The Decision-Making Process  The structure of decisions	4
	The Role of Accounting Information in Decision Making  Accounting information characteristics Data and information  Characteristics of managerial accounting reports	7
	The Cost Accounting Data Base  Cost accounting activities Factors affecting cost accounting systems	10
	External Organizations and the Cost Data Base	13
	Revenue Canada Provincial Securities and Exchange Commissions Canadian Institute of Chartered Accountants Society of Management Accountants	
	The Certificate in Management Accounting	16
	Summary	16
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
2	Cost Flows and Concepts	28
	The Concept of Cost	29
	Defining cost objectives	
	Product Costing	31
	Manufacturing cost elements	

	Production Flows and Cost Flows	32
	Manufacturing inventories	
	Production Cost Cycle Illustrated	34
	Product Costs and the Income Statement	37
	Service firms Merchandising firms Manufacturing firms The schedule of cost of goods manufactured The significance of product cost	
	Cost Elements Expanded	42
	Control accounts Materials Labour Manufacturing overhead	
	Additional Cost Concepts	49
	Cost and expenses Unit costs Costs of periodic and perpetual inventories Common costs Controllable costs Cost behaviour	
	Summary	53
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
3	Product Costing	70
	Job Order Costing	71
	Job order cost sheet illustrated Departmental product cost data	
	Process Costing	75
	Process costing illustrated	
	Recording Cost Flows	81
	Appendix: Process Costing Extended	86
	Process costing illustration continued	
	Summary	94
	Appendix summary List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
	Problem Set A Problem Set B Minicases	
4	Manufacturing Overhead and Cost Allocation	113
	The Nature of Common Costs	114
	Cost Allocations in Management Reporting	114
	Manufacturing Overhead Costs	115
	Manufacturing overhead rates Developing the manufacturing overhead	115
	rate Selecting an overhead application base Applying overhead  Departmental overhead rates	
	Comprehensive Example	121
	Setting departmental overhead rates Computing the overhead rate Using departmental overhead rates Allocation of actual overhead to departments Total applied overhead Underapplied and overapplied overhead	

	Joint Products and By-products  Joint product cost allocation	132
	Illustrative Example	134
	Physical units allocation method Gross profit allocation method Joint product inventory mix	
	Summary	135
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
	Standard Costs and the Financial Property to another To	
part 2	Cost Behaviour and Decision Making	
5	Cost Behaviour and Cost-Volume-Profit Analysis	159
	Cost Behaviour	160
	Fixed costs Variable costs Mixed costs Semivariable costs Semifixed costs Cost behaviour assumptions	
	Cost Estimation Techniques	170
	Intuition and professional experience High-low method Scatter diagram	
	Cost-Volume-Profit Relationships	173
	Break-even analysis Target net income Changing fixed costs Changing variable costs Changing selling price Changing management strategies Graphic solution to CVP Break-even analysis and the relevant range assumption Margin of safety ratio Multiple product break-even analysis	
	Summary	188
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
6	Relevant Costs and Alternative Choice Decisions	208
	Relevant Costs	209
	Alternative Choice Decisions	210
	Two-Alternative Decisions	210
	The cost indifference point Break-even point compared with cost indifference point	
	Using Relevant Costs	217
	Make-buy decisions Joint product decisions Pricing decisions Special orders	
	Multiple-Alternative Decisions	228
	Summary	231
	List of important terms Questions Exercises Problem Set A	

vii

Contents

## part 3 Planning, Control, and Responsibility Reporting **Basic Budgeting Concepts** 253 The Fundamentals of Budgeting 254 Quantitative Budget entity Future time period Reasons for Budgeting 256 Periodic planning Coordination, cooperation, and communication Quantification Performance evaluation Cost awareness Legal and contractual requirements Goal orientation Functions of Budgeting 259 Planning Control The Master Budget 260 Operating budget The financial budget Graphic depiction of the budgeting process Master Budget Illustrated 265 The profit plan The budget review process Control through Budgeting 281 Participative budgeting Human behaviour and budgets Selling the Budget 284 Know your audience Make a professional presentation Quantify the material Avoid surprises Set priorities Summary 286 List of important terms Questions Exercises Problem Set A Problem Set B Minicases **Standard Costs** 309 Standard Costs Defined 309 Recording costs in a standard cost system The Purpose of Standards 312 Cost control Pricing decisions Performance appraisal Cost awareness Management by objective (MBO) Types of Standards 314 Ideal standards Basic standards Currently attainable standards The Standard Cost System 315 Standard setting Accumulation of actual costs Variance analysis Setting Standards 316 The process of setting standards Standard Cost Variance Analysis 317 The computation of variances Material and labour

	Contents	1X
	Direct Material Variances	320
	Price variance Quantity variance Graphic solution	
	Direct Labour Variances	326
	Labour rate variance Labour efficiency variance	
	Variance Analysis Reporting	330
	Direct material variance reporting Direct labour variance reporting	
	Manufacturing overhead variance reporting Comprehensive variance reporting	
	Standard Costs and the Financial Statements  Disposition of large variances	333
	Summary	336
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
	Amendos balatenti.	551
9	Flexible Budgeting and Manufacturing Overhead Variance Analysis	359
	Fixed Budgeting	360
	Flexible Budgeting	361
	Characteristics of flexible budgets	
	Flexible Budgeting Illustrated	365
	Steps in the flexible budgeting process	
	Manufacturing Overhead Flexible Budgeting	371
	Manufacturing Overhead Variance Analysis	374
	Two-variance method Three-variance method	
	Summary	383
	List of important terms Questions Exercises Problem Set A	
	Problem Set B Minicases	
10	Costing Nonmanufacturing Activities and the Use of the Contribution Approach in Costing	402
	Costing Nonmanufacturing Activities	402
	Standards for nonmanufacturing activities	
	Segmental Reporting	406
	The segmental reporting process	
	The Full Costing Approach to Segmental Reporting	408
	The full costing approach illustrated	
	The Contribution Approach to Segmental Reporting	410
	The contribution approach illustrated	

	Absorption costing Variable costing Variable and absorption costing	417
	Absorption costing Variable costing Variable and absorption costing illustrated and compared	
	Summary	426
	List of important terms Questions Exercises Problem Set A	420
	Problem Set B Minicases	
11	Decentralized Operations and Responsibility Accounting	447
	Responsibility Accounting	448
	Types of Responsibility Centres	449
	Cost centres Profit centres Investment centres Residual income	
	Transfer Pricing	457
	Market price Modified market price Actual cost Standard cost  Modified cost Negotiated price Target profit Others Transfer pricing illustrated	
	Summary	404
	List of important terms Questions Exercises Problem Set A	464
	Problem Set B Minicases	
12	Accounting Data and Pricing Decisions	479
	The Economics of Pricing	480
	Perfectly competitive market Monopolistic competition, monopoly, and oligopoly Some modifying variables	
	Pricing Models in Business	494
	Cost-based pricing models Cost-plus models Contribution approach pricing models Target profits Special orders Loss leader pricing	
	Summary	501
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
13	Capital Budgeting	521
	The Capital Budgeting Process	522
	Identification of projects Estimation of project benefits and costs	
	Project evaluation Development of the capital expenditure budget Reevaluation of projects	
	Project Evaluation Methods	524
	Discounted Cash Flow Methods	524
	Internal rate of return (IRR) Net present value (NPV) Profitability index (PI)	
	Other Methods of Evaluating Capital Expenditure Projects	532
	Payback The payback reciprocal Accounting rate of return (ARR)	

Problem Set A Problem Set B Minicases

14

XI

part 4	Advanced Managerial Accounting Topics	
15	Inventory Planning, Control, and Valuation	635
	Inventory Planning and Control  The nature of inventory planning and control	636
	Economic Order Quantity (EOQ)  Cost estimation and model sensitivity EOQ and not-for-profit organizations	637
	The Reorder Point Inventory under uncertainty	645
	Inventory Valuation Physical flow of inventory Cost flow assumptions	648
	Valuation of Periodic Inventories  First in, first out (FIFO) Last in, first out (LIFO) Weighted average	649
	Valuation of Perpetual Inventories	651
	Specific identification First in, first out (FIFO) Last in, first out (LIFO)  Moving average Summary and comparison of inventory valuation methods	
	Summary  List of important terms Questions Exercises Problem Set A  Problem Set B Minicases	
16	Standard Costs Extended: Mix and Yield Variances	674
	Performance Reporting for Manufacturing Activities  Standard cost data Unit standard costs Variance reports  Extending variance analysis	675
	Mix and Yield Variance	681
	Mix and yield variances for materials Mix and yield variances for labour	
	Performance Reporting for Nonmanufacturing Activities  Contribution margin variance Quantity variance Mix variance	687
	Summary	692
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
17	Cost-Finding Tools and Techniques	715
	The Use of Quantitative Methods	716
	Statistics  Measures of central tendency Measures of dispersion Sample characteristics Use of the normal curve	716
	Regression-Correlation Analysis  Computing the regression line	724

	Regression analysis Correlation analysis Association versus causation Other independent variables Using linear regression Multiple linear regression	720
	Learning Curves and Cost Analysis	738
	Computing learning curve costs An illustration Using logarithms to compute learning curve costs The steady state	
	Trend Analysis	747
	Moving averages Exponential smoothing	
	Summary	753
	List of important terms	
	Appendix A: Computer Programs	755
	Appendix B: The Growing Role of Computers in Management	
	Accounting	757
	Evolving Computer Technology	
	Reduced equipment cost Specialized equipment Minicomputers	
	Growth of Operations Research	759
	Forecasting	759
	Questions Exercises Problem Set A Problem Set B Minicases	
part 5	Financial Accounting Foundation for Managerial Accounting	
18	The Statement of Changes in Financial Position	781
	The Nature of Changes in Financial Position	782
	Sources and uses of funds	
	Analysis of Balance Sheet Changes	787
	Cash provided by operations Working capital provided by operations Nonfund items on the income statement Other nonfund transactions Other sources and uses of funds The concept of all financial resources	
	Use of the Fund Flow Statement	799
	The Nature of Balance Sheet Changes	799
	Uses and sources as debits and credits  The concept of nonfund items	
	Data for Statement Preparation	801
	Funds Defined as Working Capital	801
	Steps in preparing the statement of changes Setting up the worksheet Treatment of net income Treatment of given transactions Examination of income and retained earnings statements	

	Preparation of the statement	
F	unds Defined as Cash	808
	Steps in preparing the statement of changes Treatment of net income Treatment of given transactions Examination of income and retained earnings statements Examination of remaining account balances Preparation of the statement	
S	Summary of Worksheet Approach	812
S	Summary	813
	List of important items Questions Exercises Problem Set A Problem Set B Minicases	
19 F	inancial Statement Analysis	841
peoent	Horizontal Analysis	842
٧	/ertical Analysis	843
F	Ratio Analysis	849
	Tests of liquidity Tests of solvency Tests of profitability Market tests	
In	nterpretation and Use of Financial Ratios	857
	Summary	859
	List of important terms Questions Exercises Problem Set A Problem Set B Minicases	
	Glossary Charles Commence of the Commence of t	881
- 1	ndex	895