

Principles of Accounting, Volume 2: Managerial Accounting

SENIOR CONTRIBUTING AUTHORS

MITCHELL FRANKLIN, LE MOYNE COLLEGE (FINANCIAL ACCOUNTING)

PATTY GRAYBEAL, UNIVERSITY OF MICHIGAN-DEARBORN (MANAGERIAL ACCOUNTING)

DIXON COOPER, OUACHITA BAPTIST UNIVERSITY

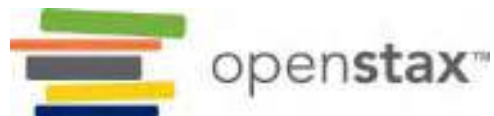




TABLE OF CONTENTS

Preface 1

1 Accounting as a Tool for Managers 11

- 1.1 Define Managerial Accounting and Identify the Three Primary Responsibilities of Management 12
- 1.2 Distinguish between Financial and Managerial Accounting 21
- 1.3 Explain the Primary Roles and Skills Required of Managerial Accountants 28
- 1.4 Describe the Role of the Institute of Management Accountants and the Use of Ethical Standards 38
- 1.5 Describe Trends in Today's Business Environment and Analyze Their Impact on Accounting 43

2 Building Blocks of Managerial Accounting 69

- 2.1 Distinguish between Merchandising, Manufacturing, and Service Organizations 70
- 2.2 Identify and Apply Basic Cost Behavior Patterns 83
- 2.3 Estimate a Variable and Fixed Cost Equation and Predict Future Costs 100

3 Cost-Volume-Profit Analysis 127

- 3.1 Explain Contribution Margin and Calculate Contribution Margin per Unit, Contribution Margin Ratio, and Total Contribution Margin 128
- 3.2 Calculate a Break-Even Point in Units and Dollars 135
- 3.3 Perform Break-Even Sensitivity Analysis for a Single Product Under Changing Business Situations 147
- 3.4 Perform Break-Even Sensitivity Analysis for a Multi-Product Environment Under Changing Business Situations 154
- 3.5 Calculate and Interpret a Company's Margin of Safety and Operating Leverage 158

4 Job Order Costing 185

- 4.1 Distinguish between Job Order Costing and Process Costing 186
- 4.2 Describe and Identify the Three Major Components of Product Costs under Job Order Costing 194
- 4.3 Use the Job Order Costing Method to Trace the Flow of Product Costs through the Inventory Accounts 207
- 4.4 Compute a Predetermined Overhead Rate and Apply Overhead to Production 213
- 4.5 Compute the Cost of a Job Using Job Order Costing 217
- 4.6 Determine and Dispose of Underapplied or Overapplied Overhead 220
- 4.7 Prepare Journal Entries for a Job Order Cost System 223
- 4.8 Explain How a Job Order Cost System Applies to a Nonmanufacturing Environment 226

5 Process Costing 251

- 5.1 Compare and Contrast Job Order Costing and Process Costing 252
- 5.2 Explain and Identify Conversion Costs 262
- 5.3 Explain and Compute Equivalent Units and Total Cost of Production in an Initial Processing Stage 264
- 5.4 Explain and Compute Equivalent Units and Total Cost of Production in a Subsequent Processing Stage 268
- 5.5 Prepare Journal Entries for a Process Costing System 271

6 Activity-Based, Variable, and Absorption Costing 293

- 6.1 Calculate Predetermined Overhead and Total Cost under the Traditional Allocation Method 294
- 6.2 Describe and Identify Cost Drivers 299
- 6.3 Calculate Activity-Based Product Costs 302
- 6.4 Compare and Contrast Traditional and Activity-Based Costing Systems 310
- 6.5 Compare and Contrast Variable and Absorption Costing 313

7 Budgeting 347

- 7.1 Describe How and Why Managers Use Budgets 348
- 7.2 Prepare Operating Budgets 357
- 7.3 Prepare Financial Budgets 365
- 7.4 Prepare Flexible Budgets 374
- 7.5 Explain How Budgets Are Used to Evaluate Goals 378

8 Standard Costs and Variances 405

- 8.1 Explain How and Why a Standard Cost Is Developed 406
- 8.2 Compute and Evaluate Materials Variances 411
- 8.3 Compute and Evaluate Labor Variances 416
- 8.4 Compute and Evaluate Overhead Variances 421
- 8.5 Describe How Companies Use Variance Analysis 429

9 Responsibility Accounting and Decentralization 457

- 9.1 Differentiate between Centralized and Decentralized Management 458
- 9.2 Describe How Decision-Making Differs between Centralized and Decentralized Environments 464
- 9.3 Describe the Types of Responsibility Centers 467
- 9.4 Describe the Effects of Various Decisions on Performance Evaluation of Responsibility Centers 481

10 Short-Term Decision Making 513

- 10.1 Identify Relevant Information for Decision-Making 514

- 10.2** Evaluate and Determine Whether to Accept or Reject a Special Order 521
- 10.3** Evaluate and Determine Whether to Make or Buy a Component 524
- 10.4** Evaluate and Determine Whether to Keep or Discontinue a Segment or Product 528
- 10.5** Evaluate and Determine Whether to Sell or Process Further 532
- 10.6** Evaluate and Determine How to Make Decisions When Resources Are Constrained 536

11 Capital Budgeting Decisions 565

- 11.1** Describe Capital Investment Decisions and How They Are Applied 566
- 11.2** Evaluate the Payback and Accounting Rate of Return in Capital Investment Decisions 570
- 11.3** Explain the Time Value of Money and Calculate Present and Future Values of Lump Sums and Annuities 577
- 11.4** Use Discounted Cash Flow Models to Make Capital Investment Decisions 585
- 11.5** Compare and Contrast Non-Time Value-Based Methods and Time Value-Based Methods in Capital Investment Decisions 594

12 Balanced Scorecard and Other Performance Measures 619

- 12.1** Explain the Importance of Performance Measurement 620
- 12.2** Identify the Characteristics of an Effective Performance Measure 626
- 12.3** Evaluate an Operating Segment or a Project Using Return on Investment, Residual Income, and Economic Value Added 629
- 12.4** Describe the Balanced Scorecard and Explain How It Is Used 638

13 Sustainability Reporting 663

- 13.1** Describe Sustainability and the Way It Creates Business Value 664
- 13.2** Identify User Needs for Information 681
- 13.3** Discuss Examples of Major Sustainability Initiatives 686
- 13.4** Future Issues in Sustainability 691

A Financial Statement Analysis 701

B Time Value of Money 713

C Suggested Resources 717

Index 733