

Per the publisher's request, the full file is available after purchase.

Accounting for Management: Concepts and Tools

Accounting for Management: Concepts and Tools

Copyright © 2014 by

DELTACPE LLC

All rights reserved. No part of this course may be reproduced in any form or by any means, without permission in writing from the publisher.

The author is not engaged by this text or any accompanying lecture or electronic media in the rendering of legal, tax, accounting, or similar professional services. While the legal, tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the author's opinions based thereon cannot be guaranteed. In addition, state or local tax laws and procedural rules may have a material impact on the general discussion. As a result, the strategies suggested may not be suitable for every individual. Before taking any action, all references and citations should be checked and updated accordingly.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert advice is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

Course Description

A primer on the basic theoretical concepts and the practical procedures of financial record keeping and reporting, and the use of financial and cost data in managerial decision making. It provides an understanding and working knowledge of the fundamentals of financial and managerial accounting that can be put to practical application in day-to-day jobs of managers. It also concentrates on providing a working vocabulary for communication. Topics include accounting principles and reporting trends, accounting conventions and systems, interpretation and analysis of financial statements; cast flow statement; break-even analysis; activity-based costing (ABC); responsibility accounting; budget for profit planning; short-term and long-term investment decision making. A list of computer software for accounting, ABC, and budgeting is presented.

Field of Study	Accounting
Level of Knowledge	Basic to Intermediate
Prerequisite	None
Advanced Preparation	None

Table of Contents

Chapter 1: Introduction to Accounting	1
Learning Objectives:	1
Nature and Scope of Accounting	1
Accounting: The Basis for Decision Making	2
The Major Areas of Accounting	2
Private Accounting	2
Public Accounting	2
Governmental Accounting	3
Major Accounting Rule-Making Organizations	3
American Institute of CPAs	3
Financial Accounting Standards Board (FASB)	3
Securities and Exchange Commission (SEC)	4
The International Accounting Standards Board (IASB)	4
Public Company Accounting Oversight Board (PCAOB)	4
Governmental Accounting Standards Board (GASB)	4
Other Organizations	4
The Global Trends and Developments in Financial Reporting	5
The Basic Accounting Principles	6
Historical Cost	6
Conservatism	6
Consistency	6
Comparability	6
Going Concern	6
Matching	7
Realization	7
Accrual	7
Materiality	7
Disclosure	7
Objectivity	7
Timeliness	7
Relevant	8
Stable Dollar	8
Accounting Period	8
Entity	8
The Concept of the Business Entity	8
Sole Proprietorship	8
Partnership	9
Corporation	9
Presenting Accounting Information through Financial Statements	9

Balance Sheet.....	9
Owners' Equity.....	10
Income Statement	10
Statement of Cash Flows	11
Chapter 1 Review Questions.....	12
Chapter 2: Understanding the Financial Statements	15
Learning Objectives:	15
The Income Statement and Balance Sheet	16
Revenue	16
Expenses	16
Net Income (Loss)	16
Assets	17
Liabilities	18
Equity	18
The Statement of Cash Flows	21
FASB Requirements.....	21
Accrual Basis of Accounting	22
Operating Activities	22
Investing Activities	22
Financing Activities	23
Notes to Financial Statements	24
Summary	25
Chapter 2 Review Questions.....	26
Chapter 3: Recording Financial Information and Accounting Conventions	27
Learning Objectives:	27
Double Entry and the Accounting Equation	28
The Accounting Equation	28
The Account	33
Ledger	34
A Chart of Accounts	34
The System of Debits and Credits.....	36
The "How and Why" of Debits and Credits	37
Journals	37
Types of Depreciation Methods	37
Straight-Line Method	38
Sum-of-the-Years'-Digits (SYD) Method.....	38
Double-Declining-Balance (DDB) Method.....	39
Units of Production Method	40
Which Method to Use.....	41

Summary	41
Chapter 3 Review Questions	42
Chapter 4: Analysis of the Financial Statements.....	44
Learning Objectives:	44
Who Uses Financial Analysis?	44
Internal Managers.....	44
External Users	45
Horizontal and Vertical Analysis	45
Financial Statement Analysis	45
Trend Analysis.....	46
Liquidity Analysis.....	52
Working Capital.....	54
Accounts-Receivable Ratios	55
Inventory Ratios	57
Interrelationship of Liquidity and Activity to Earnings.....	58
Measuring a Company's Ability to Pay Its Long-Term Debt.....	58
Profitability Ratios.....	60
Earnings per Share	63
Evaluating Stock as an Investment	63
Book Value and Market Value for Selected Companies	65
Limitations of Ratio Analysis.....	65
Summary	66
Chapter 4 Review Questions.....	67
Chapter 5: What Is Management Accounting?.....	69
Learning Objectives:	69
Financial Accounting versus Management Accounting.....	69
<i>Financial Accounting</i>	70
The Work of Management.....	70
Cost Accounting versus Management Accounting	71
Controllership	71
Managerial Accounting in the New Production Environment	74
Total Quality Management and Quality Costs	74
Continuous Improvement (CI) and Benchmarking	75
Business Process Reengineering (BPR)	75
Just-in-Time and Lean Production	75
Theory of Constraints (TOC) and Bottlenecks Management	76
Cost Classifications and Profit Concepts	76
Costs by Management Function.....	77

Product Costs and Period Costs	79
Direct Costs and Indirect Costs	79
Direct Costs of Nonmanufacturing Firms.....	80
Variable Costs, Fixed Costs, and Mixed Costs	81
Unit Costs and Total Costs	81
<i>Unit</i>	82
Costs for Planning, Control, and Decision Making	82
Merchandising vs Manufacturing Organizations	85
Income Statements and Balance Sheets - Manufacturer	86
The Contribution Income Statement	89
Chapter 5 Review Questions.....	91
<i>Chapter 6: Product Costing Methods: Job Order Costing, Process Costing, And Activity-Based Costing</i>	93
Learning Objectives:	93
Job Order Costing and Process Costing Compared	94
<i>DIFFERENCES BETWEEN JOB ORDER COSTING AND PROCESS COSTING</i>	94
Job Order Costing	94
Job Cost Records	95
Factory Overhead Application	98
Predetermined Factory Overhead Rate.....	99
Disposition of Under- and Over-Applied Overhead	99
Plantwide versus Departmental Overhead Rates	100
<i>TOTAL PRODUCT COSTS AND PROFITS</i>	103
Activity-Based Costing	103
Composition of Product Cost	104
First-Stage Procedure.....	105
Second-Stage Procedure.....	106
Using Activity-Based Costing To Make Marketing Decisions	109
A List of Activity-Based Costing (ABC) Software	110
Chapter 6 Review Questions.....	111
<i>Chapter 7: Cost Behavior and Cost-Volume-Profit Analysis</i>	112
Learning Objectives:	112
A Further Look at Costs by Behavior	113

Types of Fixed Costs - Committed or Discretionary	114
Analysis of Mixed (Semi-variable) Costs	115
Relevant Range	115
Engineering Analysis.....	116
Account Analysis	116
The High-Low Method	117
Questions Answered by CVP Analysis.....	120
Contribution Margin (CM)	120
Break-Even Analysis	121
Graphical Approach	122
Determination of Target Income Volume	123
Impact of Income Taxes	123
Margin of Safety.....	124
<i>Present</i>.....	126
<i>Proposed</i>.....	126
<i>Difference</i>	126
Sales Mix Analysis	126
<i>Deluxe</i>.....	127
<i>Standard</i>	127
Chapter 7 Review Questions.....	128
<i>Chapter 8: Budgeting and Standard Cost Systems</i>.....	129
Learning Objectives:	129
Types of Budgets	130
The Sales Budget.....	131
Monthly Cash Collections from Customers.....	132
The Production Budget	133
Inventory Purchases – Merchandising Firm.....	134
The Cash Budget	134
The Budgeted Income Statement	136
The Budgeted Balance Sheet	136
Financial Modeling: Computer-Based and Spreadsheet Models for Budgeting.....	137
Standard Costs and Variance Analysis	137
General Model for Variance Analysis	138
Materials Variances	139
Labor Variances.....	140
Variable Overhead Variances.....	140

Nonfinancial Performance Measures	141
Budgeting and Planning Software	142
Chapter 8 Review Questions	144
Chapter 9: Responsibility Accounting.....	146
Learning Objectives:	146
Responsibility Accounting and Responsibility Center	147
Control of Profit Centers.....	148
Segmental Reporting for Profit Centers.....	148
Control of Investment Centers	151
Rate of Return on Investment (ROI)	151
Operating assets	151
The Breakdown of ROI -- Du Pont Formula.....	152
ROI and Profit Planning.....	155
Residual Income (RI).....	158
Residual Income and Economic Value Added	158
Investment Decisions under ROI and RI.....	159
Chapter 9 Review Questions.....	161
Chapter 10: Relevant Costs and Short-Term Decisions.....	163
Learning Objectives:	163
Relevant Costs Defined.....	164
Pricing a Special Order.....	164
Outsourcing: The Make or Buy Decision	166
The Sell-Or-Process-Further Decision	167
Keeping or Dropping a Product Line	168
Product Mix Decisions in the Presence of Limited Resources	170
Theory of Constraints	171
You Should Remember	172
Chapter 10 Review Questions.....	173
Chapter 11: Capital Budgeting Decisions	175
Learning Objectives:	175
What Are the Features of Investment Projects?	176
Understanding the Concept of Time Value of Money.....	176
What Is Present Value - How Much Money Is Worth Now?	176

Present Value of Mixed Streams of Cash Flows	177
Present Value of an Annuity	178
How Do You Measure Investment Worth?	178
Payback Period.....	178
Accounting Rate of Return.....	179
Internal Rate of Return	180
Net Present Value	181
NPV versus IRR: Mutually Exclusive Projects	182
Chapter 11 Review Questions.....	183
<i>Glossary</i>	184
<i>Index</i>.....	190
<i>Appendix</i>.....	192
<i>Review Question Answers</i>.....	194
Chapter 1 Review Questions.....	194
Chapter 2 Review Questions.....	198
Chapter 3 Review Questions.....	199
Chapter 4 Review Questions.....	201
Chapter 5 Review Questions.....	204
Chapter 6 Review Questions.....	206
Chapter 7 Review Questions.....	207
Chapter 8 Review Questions.....	209
Chapter 9 Review Questions.....	211
Chapter 10 Review Questions.....	213
Chapter 11 Review Questions.....	215

PREFACE

Accounting for Management is a basic survey course specifically designed for managers and business owners. Each accounting subject is presented in a clear and concise manner that enables a beginning learner to quickly grasp and understand the topic under discussion. This course provides students with their first practical exposure to such accounting topics as fundamental accounting concepts and tools, financial statements, and managerial use of accounting information. The goals of the course are threefold:

1. It provides an understanding and working knowledge of the fundamentals of financial and managerial accounting that can be put to practical application in day-to-day jobs of managers.
2. It also concentrates on providing a working vocabulary for communication.
3. It uses the solved problems approach, with emphasis on the practical application of accounting concepts, tools, and methodology.

Per the publisher's request, the full file is available after purchase.