AC 202 Management Accounting: Final Examination Review Sheet
(Monday, May 28, 2018, 09.00-12.00 hrs.)

Notes:

1. To receive a partial credit for an imperfect answer or result, you must show the process of arriving at the final answer or result. (Remember: I cannot guess what you are thinking, let me know your thought process for at least a partial credit.)
2. *If you are unsure how to understand a question, <u>write down your assumptions</u> regarding the question <u>in the answer sheet</u>.*
3. Abbreviations can be used in the exam, i.e., BWIP, DM, FG.

*** * * Neither journal entry nor T-accounts are tested. * * ***

Topic 1: Cost Behavior: Analysis and Use

- You should be able to estimate costs and write the linear cost function: y = a + bx
  Where y = The cost that is being predicted
  a = Fixed costs
  b = Variable cost per unit
  x = A cost driver
  - ✓ Account Analysis Method: Managers use judgment and experience to estimate cost functions by classifying cost accounts in the ledger as variable, fixed, or mixed with respect to the identified activity
  - ✓ High-Low method:
    - Compute VCU (= Changes in costs / Changes in activity levels)
    - Compute total fixed costs (Total FC = Total costs – Total VC)
  - ✓ Regression analysis
    - Write the linear cost function from regression output

Topic 2: Absorption Costing and Variable Costing

- You should be able to determine the cost of the product using VC & AC.
  - ✓ Variable Costing:
    - o Product costs = DM + DL + VMOH
  - ✓ Absorption Costing:
    - o Product costs = DM + DL + VMOH + FMOH
  - ✓ Number of units produced = Number of units sold → AC's OI = VC's OI
  - ✓ Number of units produced > Number of units sold → AC's OI > VC's OI
  - ✓ Number of units produced < Number of units sold → AC's OI < VC's OI
- You should be able to determine contribution margin, gross margin and operating income

Topic 3: Cost-Volume-Profit Relationships

- You should be able to compute the followings:
  BEP (unit) = FC / CMU
  Unit sales to achieve OI = (FC + OI) / CMU
  BEP ($) = FC / CM%
  Revenues to achieve OI = (FC + OI) / CM%
- You should be able to Compute breakeven point of multiproduct companies

Topic 4: Differential Analysis

- You should be able to classify relevant and irrelevant information when making short-term decision
  - ✓ One-Time-Only Special Orders
  - ✓ Make or Buy

Topic 5: Master Budgeting

- You should be able to prepare:
  - ✓ production budget (units to be produced)
  - ✓ DM usage & purchase budget
  - ✓ DL costs budget
  - ✓ Ending inventory budget
  - ✓ cash receipts & cash disbursement budgets

Topic 6: Responsibility Accounting, Transfer Pricing and Performance Measurement

- You should be able to identify types of responsibility centers: Cost center, Revenue center, Profit center, and Investment center
- You should be able to compute transfer prices using market-based, cost-based, and negotiated transfer prices
- You should be able to compute minimum transfer price using general guideline
  - ✓ Minimum transfer price = Incremental costs per unit + Opportunity costs per unit
- Performance Measurement → skip

Q. 1 Cost Behavior: Analysis and Us

Write a linear cost function using the following methods:

- the account analysis method
- High-Low method
- Regression analysis (interpret the result)

Q. 2 Variable Costing vs. Absorption Costing

- Compute contribution margin and operating income using variable costing
- Compute gross margin and operating income using absorption costing

Q.3 Breakeven Point for single-product Companies

- Compute breakeven point in units
- Compute breakeven revenues

Q.4 Breakeven Point of Multiproduct Companies

- Compute the breakeven point in units for two products

Q.5 One-time-only Special Order Decision

- Make decision whether the company should accept or reject the special order

Q.6 Make or Buy Decision

- Determine total relevant costs of "Make" and "Buy"

Q. 7 Production Budget

- Compute units to be produced

Q. 8 Materials Budget

- Compute budgeted unit purchases of raw materials

Q. 9 Direct Labor Budget

- Compute the expected cost of direct labor

Q.10 Cash Receipt & Cash Disbursement

- Compute cash collection from sales
- Compute cash disbursement (payment)

Q.11 Transfer Pricing

- Compute market-based transfer price
- Compute cost-based transfer price
- Compute the range for transfer price negotiation

Q.12 Responsibility Accounting (No calculation)

- Identify types of responsibility centers: Cost center, Revenue center, Profit center, and Investment center