Disclaimer

This Quiz Prep is provided as an outline of the key concepts from the chapter.

It is not intended to be comprehensive or exhaustive.

Quizzes may include material from the classroom lectures, the text or the homework assignments.
Financial vs. Managerial Accounting

<table>
<thead>
<tr>
<th>Primary Users</th>
<th>Financial</th>
<th>Managerial</th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>Internal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Reports</th>
<th>Financial Statements</th>
<th>Varied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>Annual / Quarterly</td>
<td>As needed</td>
</tr>
<tr>
<td>Purpose</td>
<td>General</td>
<td>Special</td>
</tr>
<tr>
<td>Content</td>
<td>• Business as whole</td>
<td>• Sub-units</td>
</tr>
<tr>
<td></td>
<td>• Aggregated</td>
<td>• Detailed</td>
</tr>
<tr>
<td></td>
<td>• Limited to Accounting</td>
<td>• Any relevant data</td>
</tr>
<tr>
<td>Rules</td>
<td>GAAP</td>
<td>none</td>
</tr>
<tr>
<td>Verification by</td>
<td>CPA</td>
<td>Internal Audit</td>
</tr>
</tbody>
</table>

Corporation Management

- Stockholders
- Chairman
  - Board of Directors
  - Chief Executive Officer CEO
    - President
- General Counsel
- Marketing
- Chief Financial Officer CFO
  - Treasurer
  - Controller
  - Internal Audit
- Human Resources
- Operations
### Management Functions

<table>
<thead>
<tr>
<th>Planning</th>
<th>Establish Objectives.</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Objective:</td>
<td>Increase Shareholder Value</td>
</tr>
<tr>
<td></td>
<td>= Increase the Stock Price</td>
</tr>
</tbody>
</table>

| Directing     | Hire Employees and Coordinate their efforts |

| Controlling   | • Monitor and Evaluate the process |
|               | • Change the Plan or Direction as needed. |

### Ethics

Create Proper Incentives – *unintended consequences*

**Sarbanes Oxley – SOX**

- CEO & CFO, subject to increased personal liability (i.e., jail time), must certify:
  - Financial Statements
  - Internal Controls
- BOD Audit committee
  - Independent Directors
  - At Least One Accountant/Finance
Manufacturing Costs

- Direct Materials (54%)
- Direct Labor (13%)
- Overhead (33%)
  - Indirect Materials
  - Indirect Labor
  - Indirect Other
    - Depreciation
    - Insurance, etc

ALLOCATION OF OVERHEAD IS KEY

How Costs Become Expenses

**Period Costs:**
Selling and Administrative → Expense

**Product Costs:**
Manufacture → Inventory → COGS
Cost Of Goods Sold

**Merchandiser**
- Beg Inventory
- + Cost of Goods Purchased
- = Goods available for sale
- - End Inventory
- = COGS

**Manufacturer**
- Beg Inventory Finished Goods
- + Cost of Goods Manufactured
- = Goods available for sale
- - End Inventory Finished Goods
- = COGS

Cost Of Goods Manufactured

**Direct Materials**
- Beg Raw Materials
- + Purchases
- = Available
- - End Raw Materials
- = DM Used

**Manufacturer**
- Beg Inventory Finished Goods
- + Cost of Goods Manufactured
- = Goods available for sale
- - End Inventory Finished Goods
- = COGS

- Beginning Work In Progress
- + Total Manufacturing Costs
- = Total WIP
- - End WIP Inventory
- = COG Manufactured
Balance Sheet Presentation of Inventory

Current Assets
Cash 10,000
Accounts Receivable, net of provisions 60,000

Inventory
Finished Goods 100,000
Work In Process 50,000
Raw Materials 40,000
Total Inventories 190,000

Prepaid & Other 15,000
Total Current Assets 275,000

Managerial Accounting Concepts

Application of Managerial Accounting Concepts to Service Industries
Managerial Accounting Concepts

Value Chain – Analyze all activities;

R&D  production  delivery
purchasing  sales  customer relations

Technological Change
• Enterprise Resource Planning - Integrated software that covers the value chain
• Computer-Integrated Manufacturing

Managerial Accounting Concepts

Just-In-Time Inventory
Lower inventory costs vs. risk of running out

Total Quality Management (TQM)
System which attempts to reduce manufacturing defects to zero.
6 Sigma is a very common variation.

Activity Based Costing
A technique for allocating overhead which is covered in detail in Chapter 4
Managerial Accounting Concepts

**Theory of Constraints**
Focus on analyzing and reducing bottlenecks

**Balanced Score Card**
An approach to evaluating a company using financial and non-financial information which will be covered in detail in Chapter 11.