Chapter 1: Cost Management Basics

Accounting Systems:
Financial Accounting: External reports, follows SEC/FASB rules.
Cost Management Accounting: Internal reports, focuses on planning, control, and decision--making.
Key Concepts: Value Chain: Design, development, production, marketing, and post-sales services.
Cost Drivers: Factors that cause costs to change.
ERP: Integrated system providing real-time data.
Lean Manufacturing: Reducing waste while respecting people.
Total Quality Management (TQM): Continuous pursuit of zero defects.
IMA Ethical Standards: Competence, Integrity, Confidentiality, Credibility.

Financial Statement Overview

Chapter 2: Cost Concepts and Calculations

Cost Classifications:
Direct Costs: Directly traceable (e.g., direct materials, direct labor).
Indirect Costs: Not directly traceable (e.g., overhead).
Product Costs: Direct materials, direct labor, and overhead.
Period Costs: Administrative and selling expenses.
Prime Costs: Direct materials + Direct labor.
Conversion Costs: Direct labor + Overhead.
Key Formulas:
Cost of Goods Manufactured (COGM): COGM = Direct Materials + Direct Labor + Overhead + Beginning WIP - Ending WIP.
Cost of Goods Sold (COGS): COGS = Beginning Finished Goods + COGM - Ending Finished Goods.
Direct Materials Used: Beginning Raw Materials + Purchases - Ending Raw Materials.
Applied Overhead: Applied Overhead = Predetermined Rate × Actual Usage of Allocation Base.
High-Low Method: Variable Cost per Unit = (Cost at High Point - Cost at Low Point) / (Activity High - Activity Low).
Fixed Cost = Total Cost at High (or Low) Point - (Variable Cost per Unit × Activity at that Point).

Chapter 3: Cost Behavior and Forecasting

Chapter 5: Job Costing and Overhead Application

Job Costing:
Tracks costs for custom products.
Components: Actual direct materials, direct labor, and applied overhead.
Overhead Allocation:
Predetermined Overhead Rate: Estimated Overhead / Estimated Allocation Base.
Applied Overhead: Rate × Actual Base Usage.
Flow of Costs: Raw Materials → Work in Process (WIP) → Finished Goods → COGS.
Journal Entries:
Direct Materials: Debit WIP, Credit Raw Materials.
Direct Labor: Debit WIP, Credit Salaries Payable.
Overhead Application: Debit WIP, Credit Manufacturing Overhead.
Goods Completed: Debit Finished Goods, Credit WIP.
Goods Sold: Debit COGS, Credit Finished Goods.
Over/Underapplied Overhead:
Underapplied: Actual > Applied (debit balance).
Overapplied: Applied > Actual (credit balance).

Income Statement (Manufacturing Firm):

Sales

- Cost of Goods Sold (COGS):
Beginning Finished Goods Inventory
+ Cost of Goods Manufactured
- Ending Finished Goods Inventory

= Gross Margin
− Selling & Administrative Expenses
= Net Operating Income

Balance Sheet:
Assets:
Cash
Accounts Receivable
Inventory (Raw Materials, WIP, Finished Goods)
Property, Plant, and Equipment

Liabilities:
Accounts Payable
Salaries Payable
Long-term Debt

Equity:
Common Stock
Retained Earnings

Supporting Schedule for COGM:

Direct Materials Used:
Beginning Raw Materials Inventory
+ Purchases of Raw Materials
= Raw Materials Available
− Ending Raw Materials Inventory
= Direct Materials Used

Total Manufacturing Costs:
Direct Materials Used
+ Direct Labor
+ Overhead

COGM:
Total Manufacturing Costs
+ Beginning WIP
− Ending WIP

Cost Behavior:
Fixed Costs: Do not change with output within the relevant range.
Variable Costs: Change in total with output.
Mixed Costs: Contain both fixed and variable components.
Key Methods:
High-Low Method: Variable Cost per Unit = (Cost at High Point - Cost at Low Point) / (Activity High - Activity Low).
Fixed Cost = Total Cost at High (or Low) Point - (Variable Cost per Unit × Activity at that Point).
Scatterplot & Regression Analysis: Visualize and statistically analyze cost data.
Resource Types:
Committed Resources: Acquired in advance, may result in unused capacity.
Flexible Resources: Supplied as needed without unused capacity.

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