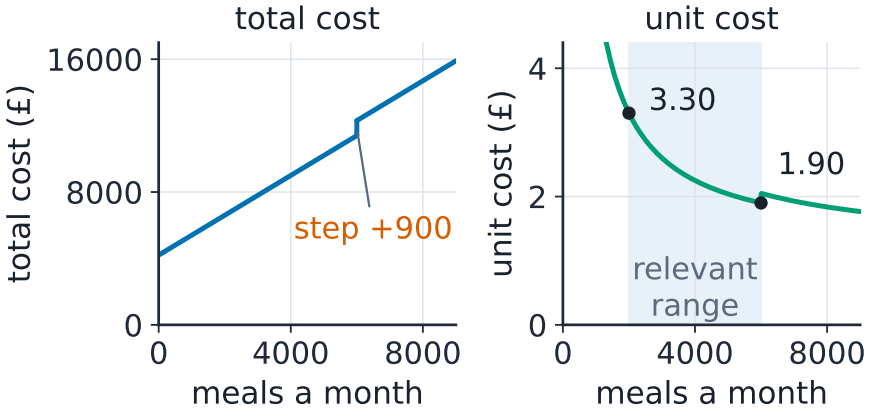
Managerial Accounting

Curated undergraduate study track (not accredited, no external exam). Original explanations and practice only, following the reviewed course handout.

Numbers that decide

- Course 2 reported to strangers; this course arms insiders.
- One sheet runs the whole course - the Nimbus Kitchen cost model, every number verified.

Cost behaviour: date your assumptions



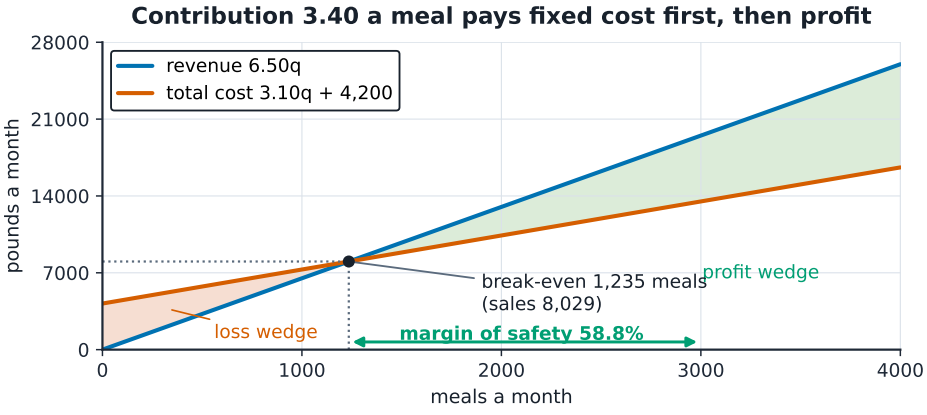
TC = 1.20q + 4,200 with a step at 6,000; unit cost falls with volume.

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Cost behaviour in action: the step bites

1. **June** At 3,000 meals: unit 2.60 (1.20 + 4,200/3,000); marginal cost just 1.20.
2. **July** Fixed steps to 5,100: total 12,780, unit 2.00 at 6,400 meals.
3. **Quote** The retailer price list says WHICH range - June's 2.60 arithmetic extrapolated is a different product.

CVP: the flight simulator



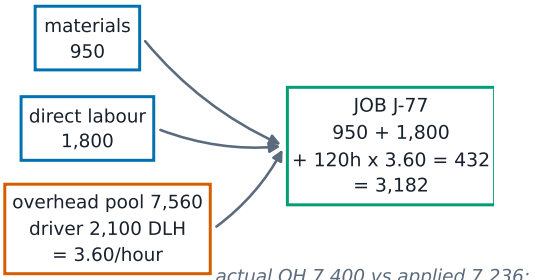
Contribution 3.40 a meal: break-even at 1,235 meals, safety margin 58.8%.

CVP in action: tax, mix, sensitivity

1. **Tax** 6,000 after 25% tax: pre-tax 8,000, volume $(4{,}200 + 8{,}000)/3.40 = 3{,}588.2$, so 3,589 meals - inside the range.
2. **Mix** 60:40 bundle CM 2.28, break-even 1,842 bundles; 50:50 falls to 2.20 - Beta drags it.
3. **Price** A 5% price cut takes CM to 3.075 and break-even up 11%; a 5% variable-cost rise (CM 3.245) raises it only 5%.

Costing systems: choose your question

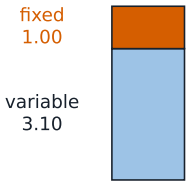
Job J-77: trace, then allocate



actual OH 7,400 vs applied 7,236: under-applied 164

Absorption vs variable

absorption unit 4.10



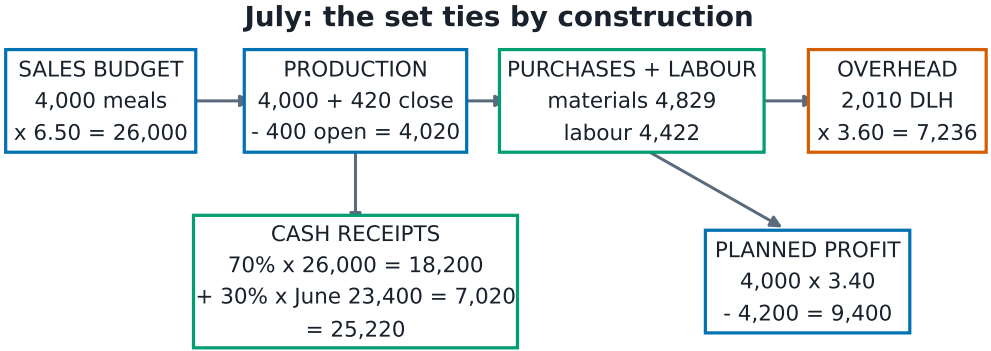
sell 3,000 of 4,200 made:
absorption 7,200 vs variable 6,000:
1,200 x 1.00 parked

Job J-77 costs 3,182; absorption parks 1,200 of fixed cost in stock.

Costing in action: the driver changes the price

1. **One** Single rate 3.60/h: J-77 overhead 120 x 3.60 = 432, job total 3,182.
2. **Two** Machine pool 2.52/h and labour pool 1.44/h: J-77 overhead falls to 173 - and looks cheaper.
3. **Reconcile** Actual 7,400 vs applied 7,236: 164 under-applied, adjusted on the costing statement.

Budgeting: the set that ties



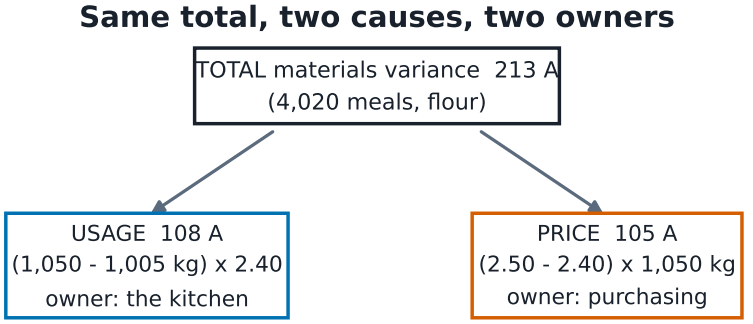
June sales 3,600 meals = 23,400; August planned 4,200 meals (closing-inventory 10% rule)

July budget: sales feed production, purchases, cash and a 9,400 profit.

Budgeting in action: cash and behaviour

1. **Cash** July receipts 18,200 + 7,020 = 25,220 while profit plans 9,400 - both right.
2. **Flex** August demand 3,700: the honest production budget is 3,730, not July's 4,020.
3. **Tempt** A bonus on the static target invites parking 290 meals of fixed cost in inventory.

Variance analysis: the agenda, not the verdict



the leaves sum to the total by identity - the decomposition is an agenda, not a verdict

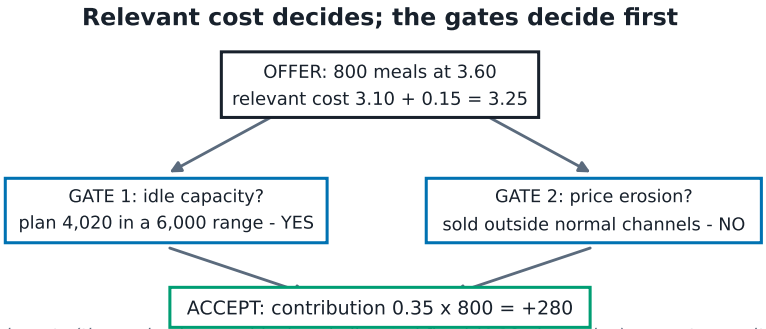
A 213 adverse **variance** splits into usage 108 and price 105.

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Variance in action: the three questions

1. **Split** 213 A = 108 usage A + 105 price A - the identity audits the arithmetic.
2. **Flex** Sales 3,700 vs 4,000 at CM 3.40: 1,020 A - but the strike owned most of it.
3. **Trade** A 190 favourable price that buys 150 adverse usage plus 80 refunds is 40 A net.

Relevant costs: only changes get a vote



Pass both gates, then **relevant cost** 3.25 against 3.60 earns +280.

Relevant cost in action: three calls

1. **Order** 3.60 vs 3.25 relevant: +280 on 800 idle meals - accept behind the two gates.
2. **Outsource** Avoidable 3.40 against the 4.40 bid: keep - 0.70 of allocated cost has no vote.
3. **Mix** Flour scarce: Alpha 8.67 a kg, Beta 9.00 - fill the kilos with Beta first.

Check yourself

- Break-even at CM 3.40, F 4,200? (1,235 meals.)
- Unit cost at 3,000 meals? (2.60 - marginal 1.20.)
- J-77 with materials 950, labour 1,800, 120 h x 3.60? (3,182.)
- The 213 **variance** split, and the 3.60 order verdict? (108 + 105; accept +280.)