



Management Accounting (MA)

Diploma in accounting and business

Pocket Notes

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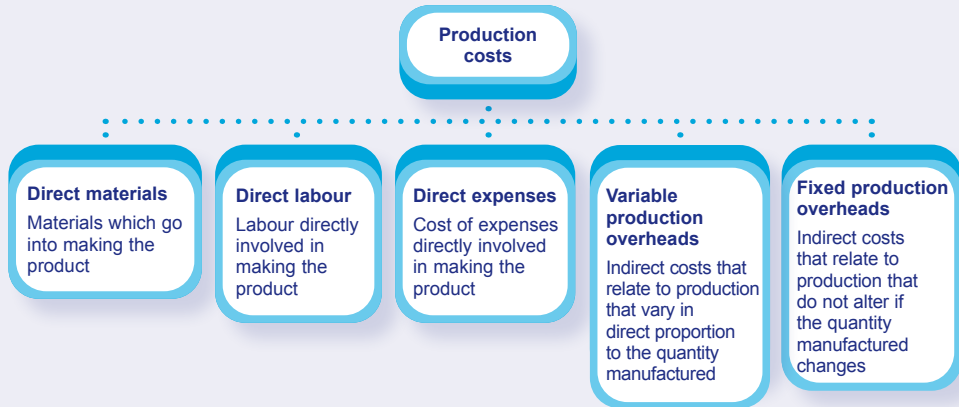
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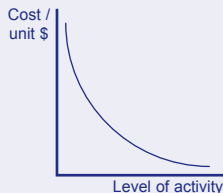
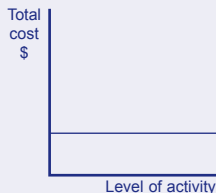
Function

Definition

Production costs are those incurred when raw materials are converted into finished and part-finished goods.

Non-production costs are costs not directly associated with the production processes in a manufacturing organisation.

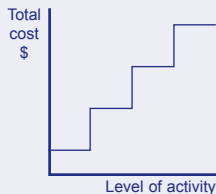




Stepped fixed cost

Definition

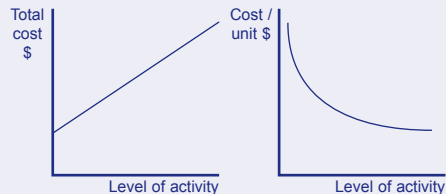
A fixed cost which is only fixed within certain levels of activity. Once the upper activity level is reached a new level of fixed cost becomes relevant e.g. warehouse costs and supervisors' wages.



Semi-variable cost

Definition

Cost with a fixed and variable element e.g. telephone charges with fixed rental and charge per call.

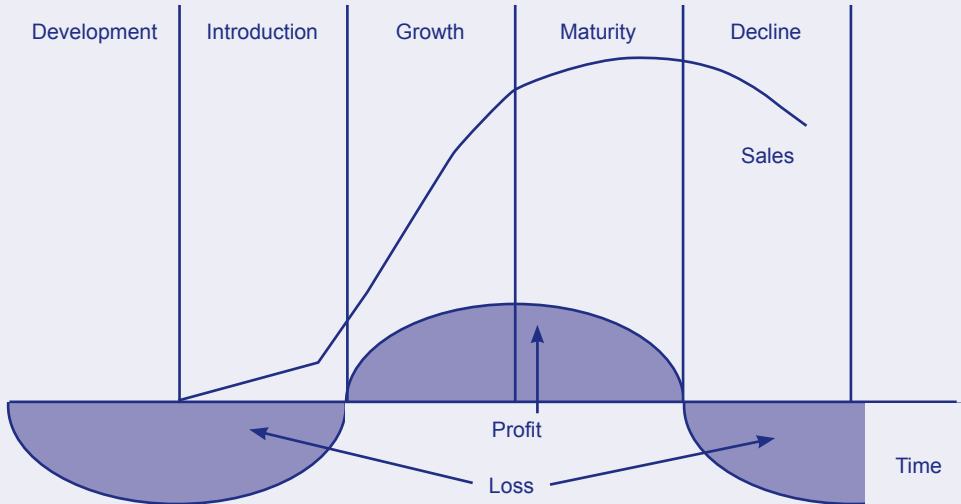


The high-low method – analysing costs into fixed and variable elements

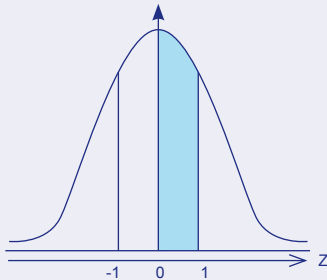
- Step 1: select high and low activity levels and their associated costs
- Step 2: find variable cost per unit
- Step 3: find fixed cost by substitution

Product life cycle

Sales/profit



Standard normal curve

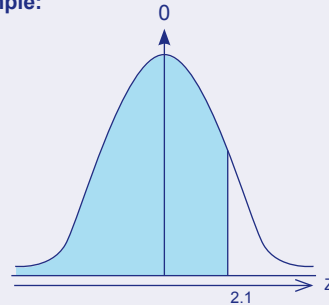


If Z score = 1
 From the normal distribution
 table = 0.3413 or 34.13%

So, 34.13% is the area from 0 to 1

It is also the area from -1 to 0

Example:



Find the probability that Z score is negative or less than 2.1

$$\begin{aligned} P(Z < 2.1) &= 0.5 + \text{TE}(2.1) \\ &= 0.5 + 0.4821 \\ &= 0.9821 = \underline{\underline{98.21\%}} \end{aligned}$$

(TE = table entry)



Exam focus

For the exam you need to understand why budgets are prepared and calculate simple budgets for the various inputs to production. You also need to be able to work with simple flexible and flexed budgets; for this a steady, systematic approach is important.

The purpose of budgets



Definition

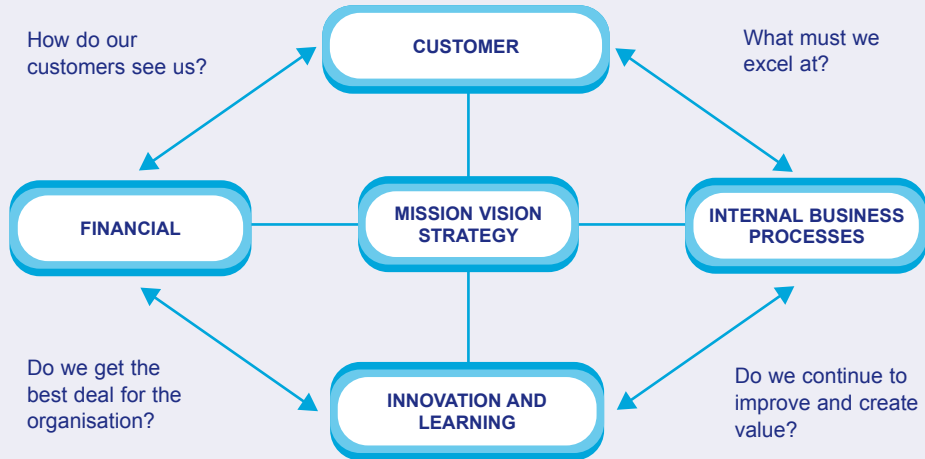
A budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates.

- Budgets set out the costs and revenues that are expected to be incurred or earned in future periods.



The Balanced Scorecard

BALANCED SCORECARD STRATEGIC PERSPECTIVES





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