1.1 Distinguish financial accounting from management accounting

1.2 Understand how management accountants help firms make strategic decisions

1.3 Describe the set of business functions in the value chain and identify the dimensions of performance that customers are expecting of companies

1.4 Explain the five-step decision-making process and its role in management accounting

1.5 Describe three guidelines management accountants follow in supporting managers

1.6 Understand how management accounting fits into an organization's structure

1.7 Understand what professional ethics mean to management accountants

2.1 Define and illustrate a cost object

2.2 Distinguish between direct costs and indirect costs

2.3 Explain variable costs and fixed costs

2.4 Interpret unit costs cautiously

2.5 Distinguish inventoriable costs from period costs

2.6 Illustrate the flow of inventoriable and period costs

2.7 Explain why product costs are computed in different ways for different purposes

2.8 Describe a framework for cost accounting and cost management.

3.1 Explain the features of cost-volume-profit (CVP) analysis

3.2 Determine the breakeven point and output level needed to achieve a target operating income

3.3 Understand how income taxes affect CVP analysis

3.4 Explain how managers use CVP analysis to make decisions

3.5 Explain how sensitivity analysis helps managers cope with uncertainty

3.6 Use CVP analysis to plan variable and fixed costs

3.7 Apply CVP analysis to a company producing multiple products

3.8 Apply CVP analysis in service and not-for-profit organizations

3.9 Distinguish contribution margin from gross margin

4.1 Describe the building-block concepts of costing systems

4.2 Distinguish job costing from process costing

4.3 Describe the approaches to evaluating and implementing job-costing systems

4.4 Outline the seven-step approach to normalcosting

4.5 Distinguish actual costing from normal costing

4.6 Track the flow of costs in a job-costing system

4.7 Dispose of under- or over-allocated manufacturing overhead costs at the end of the fiscal year using alternative methods.

4.8 Understand variations from normal costing

5.1 Explain how broad averaging undercosts and overcosts products or services

5.2 Present three guidelines for refining a costing system

5.3 Distinguish between simple and activity-based costing systems

5.4 Describe a four-part cost hierarchy

5.5 Cost products or services using activity-based costing

5.6 Evaluate the benefits and costs of implementing activity-based costing systems

5.7 Explain how managers use activity-based costing systems in activity-based management

5.8 Compare activity-based costing systems and department costing systems

10.1 Describe linear cost functions and three common ways in which they behave.

10.2 Explain the importance of causality in estimating cost functions.

10.3 Understand various methods of cost estimation.

10.4 Outline six steps in estimating a cost function using quantitative analysis.

10.5 Describe three criteria used to evaluate and choose cost drivers.

10.6 Explain nonlinear cost functions, in particular those arising from learning-curve effects.
10.7 Be aware of data problems encountered in estimating cost functions.
6.1 Understand what a master budget is and explain its benefits
6.2 Describe the advantages of budgets
6.3 Prepare the operating budget and its supporting schedules

6.4 Understanding human aspects of budgeting

6.5 Describe responsibility centers and responsibility accounting

7.1 Distinguish a static budget from a flexible budget

7.2 Develop flexible budgets and compute flexible-budget variances and sale-volume variances
7.3 Explain why standard costs are often used in variance analysis
7.4 Compute price variances and efficiency variances for direct-cost categories
8.1 Compute the variable overhead spending variance and the variable overhead efficiency variance
8.2 Compute the fixed overhead spending variance and the fixed overhead production-volume variance
9.1 Identify what distinguishes variable costing from absorption costing

9.2 Prepare income statements under absorption costing and variable costing

9.3 Explain differences in operating income under absorption costing and variable costing

9.4 Understand how absorption costing can provide undesirable incentive for managers to buildup finished goods inventory

9.5 Explain how the capacity level chosen to calculate the budgeted fixed overhead cost rate affects the product-volume variance

11.1 Use the five-step decision process to make decisions

11.2 Differentiate relevant from irrelevant costs and revenues in decision situations

11.3 Beware of two potential problems in relevant cost analysis

11.4 Explain the opportunity cost concept and why it is used in decision making

11.5 Know how to choose which products to produce when there are capacity constraints

13.1 Discuss the three major influences on pricing decisions
13.2 Distinguish between short-run and long-run pricing decisions
13.3 Long-run pricing methods:
13.4 Market-based approach
13.5 Cost-plus approach
13.6 Pricing products using the cost-plus approach

Chapter 1 – INTRODUCTION AND THE MANAGER AND MANAGEMENT ACCOUNTING

Distinguish financial accounting from management accounting

- Management accounting measures, analyzes, and reports financial and nonfinancial information that helps managers make decisions to fulfill organizational goals. Management accounting need not be GAAP compliant.
- Managers use management accounting information to:
  - Develop, communicate and implement strategies
  - Coordinate product design, production, and marketing decisions and evaluate a company's performance
- Financial accounting focuses on reporting financial information to external parties such as investors, governmental agencies, banks, and suppliers, based on GAAP.
- Cost Accounting measures, analyzes and reports financial and nonfinancial information related to the costs of acquiring or using resources in an organization.

	Management Accounting	Financial Accounting
Purpose of information	Help managers make decisions to fulfill an organization's goals	Communicate an organization's financial position to investors, banks, regulators, and other outside parties
Primary users	Managers of the organization	External users such as investors, banks, regulators, and suppliers
Focus and emphasis	Future-oriented (budget for 2017 prepared in 2016)	Past-oriented (reports on 2016 performance prepared in 2017)
Rules of measurement and reporting	Internal measures and reports do not have to follow GAAP but are based on cost-benefit analyses	Financial statements must be prepared in accordance with GAAP and be certified by external, independent auditors
Time span and type of reports	Varies from hourly information to 15 to 20 years, with financial and nonfinancial reports on products, departments, territories, and strategies	Annual and quarterly financial reports, primarily on the company as a whole
Behavioral implications	Designed to influence the behavior of managers and other employees	Primarily reports economic events but also influences behavior because manager's compensation is often based on reported financial results

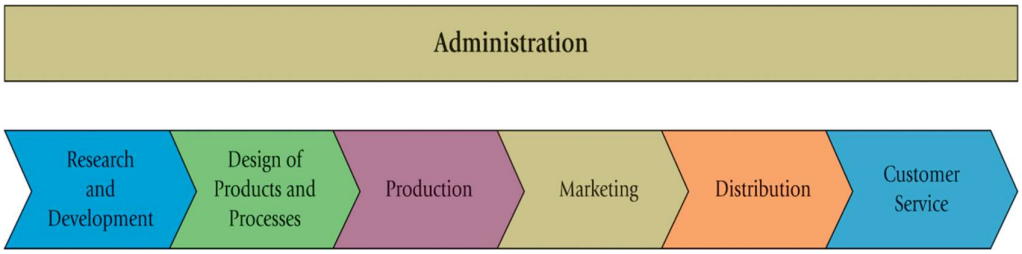
Understand how management accountants help firms make strategic decisions

- Strategy specifies how an organization matches its own capabilities with the opportunities in the marketplace
- There are two broad strategies: cost leadership and product differentiation
- Strategic cost management describes cost management that specifically focuses on strategic issues.

- Management accounting information helps managers formulate strategy by answering questions such as the following:
- Who are our most important customers and what critical capability do we have to be competitive and deliver value to our customers?
- What is the bargaining power of our customers?
- What is the bargaining power of our suppliers?
- What substitute products exist in the marketplace and how do they differ from our product in terms of features, price, cost and quality?
- Will adequate cash be available to fund the strategy, or will additional funds need to be raised?

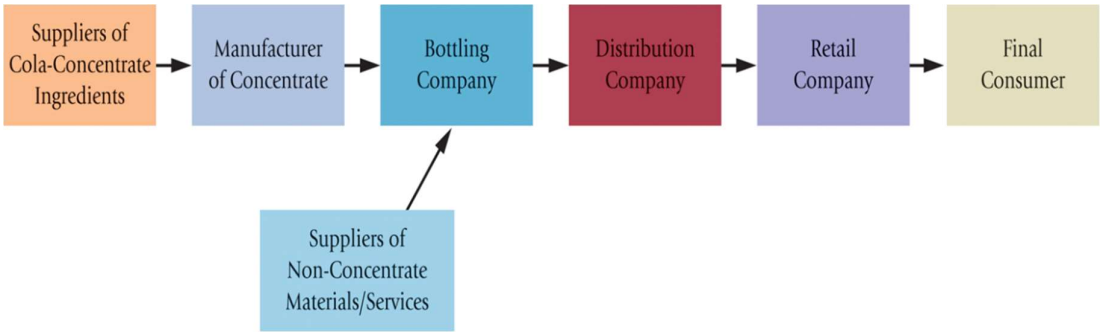
Describe the set of business functions in the value chain and identify the dimensions of performance that customers are expecting of companies

- *Creating value is an important part of planning and implementing strategy.*
- Value is the usefulness a customer gains from a company's product or service. The entire customer experience determines the value a customer derives from a product.
- The value chain is the sequence of business functions by which a product is made progressively more useful to customers. The value chain consists of:
  - Research & Development
  - Design of Products and Processes
  - Production
  - Marketing (including Sales)
  - Distribution
  - Customer Service



- *Customer relationship management (CRM)*
  - CRM is a strategy that integrates people and technology in all business functions to deepen relationships with customers, partners and distributors.
  - CRM initiatives use technology to coordinate all customer-facing activities and design and production activities necessary to get products to customers.

- Supply chain management
    - Production and Distribution are the parts of the value chain associated with producing and delivering a product or service.
    - These two functions together are known as the Supply Chain.
    - The supply chain describes the flow of goods, services and information from the initial sources of materials, services and information to their delivery regardless of whether the activities occur in one organization or in multiple organizations.



- *Key Success Factors*
  Customers want companies to use the value chain and supply chain to deliver ever-improving levels of performance when it comes to several (or even all) of the following:
    - Cost and efficiency
    - *Quality*
    - *Time*
    - *Innovation*
    - *Sustainability*

- *Keys Success Factor-Sustainability*
    - The interest in sustainability appears to be intensifying among companies for several reasons. Some of them are:
    - More and more investors care about sustainability
    - Companies that emphasize sustainability find that sustainability goals attract and inspire employees
    - Customers prefer the products of companies with good sustainability records and boycott companies with poor sustainability records
    - Society and activist, nongovernmental organizations monitor the sustainability performance of firms and take legal action against those that violate environmental laws.

Explain the five-step decision-making process and its role in management accounting

1. Identify the problem/uncertainties
2. Obtain information
3. Make predictions about the future
4. Make decisions by choosing among alternatives

5. Implement the decision, evaluate performance and learn.

Planning consists of

1. selecting an organization's goals and strategies
2. predicting results under various alternative ways of achieving those goals
3. deciding how to attain the desired goals, and
4. communicating the goals and how to achieve them to the entire organization.

Management accountants serve as business partners in these planning activities because they understand the key success factors and what creates value.

Control comprises

1. taking actions that implement the planning decisions
2. evaluating past performance, and
3. providing feedback and learning to help future decision making.

The most important planning tool when implementing strategy is a budget. A budget is the quantitative expression of a proposed plan of action by management and is an aid to coordinating what needs to be done to execute that plan.

Describe three guidelines management accountants follow in supporting managers

1. The Cost-benefit approach compares the benefits of an action/purchase to the costs. Generally, of course, the benefits should exceed the costs.
2. Behavioral and technical considerations recognize, among other things, that management is primarily a human activity that should focus on encouraging individuals to do their jobs better.
3. Managers use alternative ways to compare costs in different decision-making situations because there are different costs for different purposes.

- *Organizations distinguish between line management and staff management.*
  - Line management is directly responsible for achieving the goals of the organization.
  - Staff management provides advice, support and assistance to line management.

Understand how management accounting fits into an organization's structure