

# Managerial Accounting Intro

## Cost Concepts

**Managerial Accounting** - providing accounting information to people within the company (internal). This is so decision makers can make plans and more.

**Direct Cost** - costs that can be easily traced to specific objects

**Indirect Cost** - costs that cannot be easily traced to a specific object

## Manufacturing Costs

**Direct Materials** - raw materials that can be easily traced to specific objects/products

**Direct Labor** - labor costs easily traced to finished products

**Manufacturing Overhead** - all costs except direct materials and direct labor. This could include indirect materials/labor.

## Non-manufacturing Costs

**Selling Costs** - all costs required to make orders/sales and deliver finished goods

**Administrative Costs** - all costs for the management of the company, including HR, CEO and more

## Financial Statement Costs

**Product Costs** - all costs involved in getting or making a product

**Period Costs** - all costs that are not product costs. Such as selling and administrative costs

## Changing Costs (based on activity)

**Variable Costs** - costs whose total changes based on activity such as raw materials and direct labor

**Fixed Costs** - remains constant (as a total) and will not change based on activity

Mixed Costs- costs that mix variable and fixed costs

$$\begin{array}{c}
 \$ = 5x + 10 \\
 \underbrace{\quad} \quad \underbrace{\quad} \\
 \text{Var} \quad \text{fixed}
 \end{array}$$

## Decision making costs

Differential Costs- costs that differ between alternatives

Differential Revenue- revenue that differs between alternatives

→ also known as an incremental cost, but only when its an increase

Opportunity Cost- \*Potential\* benefit given up when choosing one thing over another

Sunk Cost- A cost that already happened and cannot change based on a decision

## Traditional vs. Contribution Format Income Statement

Using the definitions from earlier, we can make an income statement that is based on contribution margin

We will split costs into categories from earlier

Contribution margin- amount remains from sales after variable expenses

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Balance Sheet					
Date: MM-DD-2024					
Traditional			Contribution		
Sales		\$--	Sales		\$--
Cost of goods sold		\$--	<b>Var Expenses</b>		
Gross Margin			CoGS	\$--	
			Var Selling	\$--	
Selling and Admin Exp			Var Admin	\$--	\$--
Selling	\$--		Cont Margin		\$--
Admin	\$--		<b>Fix Expenses</b>		
			Fix Selling	\$--	
			Fix Admin	\$--	\$--
<b>Net Operating Income</b>		\$--	<b>Net Operating Income</b>		\$--

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$$\text{Cost of Goods Sold} = \text{Beginning Inventory} + \text{Purchases} - \text{End Inventory}$$