ACC2200 Introduction to Management Accounting

MONASH UNIVERSITY · SEMESTER 2, 2026

CLOSED-BOOK MEMORY SHEET Side 1 · recite + check

Full guide + ask Sia about ACC2200

SIDE 1 / 2 · CARRY IT IN YOUR HEAD — 4 questions · 100 marks · ~60% calculation / ~40% discussion — **RECITE → APPLY → EXPLAIN**

1 · Exam map

COURSE DATA + BRIEF

G10	Q10	CBC 30	FINAL 50

Group Presentation 10% · Quiz 1 10% · Group Assignment — CBC Case Study 30% · Final Examination 50%

"Closed Book with Specifically permitted items as below" *ACC2200 Week 12 General Exam Information PDF (undated, current Moodle) + FAQs for eExams S1 2026 – Semester 1 2026 offering; confirm this semester's rule on the LMS (PDF_Week_12_Exam_Information_pdf.txt)*

NAME method/base → **SHOW** working → **CHECK** reconcile → **EXPLAIN + ADVISE** why result matters

Every multi-part answer: name the method, expose working, reconcile, then interpret.

2 · The definitions that unlock marks

CH 1–3 · 9–10

TERM	RECITE
Relevant	future AND differs between alternatives.
Sunk	Already incurred; always irrelevant.
Opportunity	Contribution forgone from next-best use; relevant though unrecorded.
Product cost	DM + DL + MOH; inventory until sold.
Period cost	Selling/admin; expense as incurred.
Cost driver	Activity/factor that causes total cost to change.

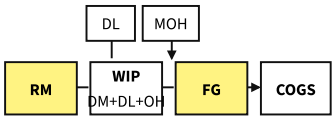
Planning sets objectives, strategy, targets and budgets. **Control** implements, compares actual with plan and corrects. Management accounting is internal, tailored, detailed and past/present/future; financial accounting is external, standards-bound, aggregated and historical.

DIMENSION	MANAGEMENT	FINANCIAL
User	Internal managers	External investors, lenders, regulators
Rules	Tailored; no external rules	Standards/law; audited
Data/time	Financial + non-financial; future too	Transaction system; historical
Detail	Product/process/segment; timely	Whole entity; aggregated

Relevance screen: (1) Can a future choice change it? (2) Does it differ across options? A "no" at either gate removes it. Common allocated fixed cost is normally irrelevant; an avoidable fixed cost is relevant. A ledger entry is not required: opportunity cost belongs because the alternative use is forgone.

3 · Cost flow & schedule spine

CH 2



asset until sold — expense

Source: Cost Terms, Fig 1 — product costs move through inventory before COGS.

MANUFACTURING SCHEDULE

```
DM used = opening RM + purchases - closing RM
TMC = DM used + DL + MOH
COGM = opening WIP + TMC - closing WIP
COGS = opening FG + COGM - closing FG
```

GROUPING	FORMULA / TRAP
Prime	DM + DL
Conversion	DL + MOH
Total mfg	DM + DL + MOH
Cross-check	Prime + conversion − DL; subtract DL once.

Direct/indirect only makes sense relative to a named cost object; traceability must also be economically feasible. Overtime premium and idle time are MOH. Admin and selling costs never enter COGM.

CLASSIFICATION LENS	ASK	EXAM MOVE
Timing	Factory or non-factory?	Product cost or period expense.
Traceability	Which cost object?	Direct if traceable and worth tracing.
Behaviour	What happens as activity moves?	Variable, fixed, mixed or step-fixed.
Controllability	Can this manager influence it?	Name time horizon and responsibility.

4 · Job/normal costing

CH 4

Budget OH ÷ bdgt base → **RATE** set once → × actual driver

applied OH ↔ actual OH **direction → COGS entry**

Source: Product Costing Systems, Fig 1 — budget the rate, apply with actual use.

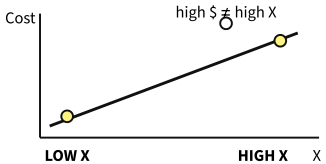
```
POHR = budgeted MOH ÷ budgeted driver
Applied MOH = POHR × actual driver used
Applied - actual > 0 → over-applied → credit COGS
Applied - actual < 0 → under-applied → debit COGS
```

System choice: unique/custom jobs → job-order, costs on job sheet. Homogeneous continuous output → process, costs averaged by process. Output homogeneity, not industry label, decides.

5 · Cost behaviour & high–low

CH 3

PATTERN	TOTAL	PER UNIT
Variable	changes with activity	constant
Fixed	constant in range	falls as volume rises
Mixed	fixed base + variable	—
Step-fixed	flat, then jumps at threshold	—



Source: Cost Behaviour, Fig 2 — select extreme activity, not extreme cost.

```
Y = a + bX
b = (cost at high X - cost at low X) ÷ (high X - low X)
a = total cost - bX; verify at the other point
```

Where it bites: predict only inside the relevant range. High–low is fast but hostage to two observations. Regression uses all points; R^2 is the share of cost variation explained by the driver, not proof of causation and not permission to extrapolate.

ESTIMATION RISK	WHY IT MATTERS
Outlier	Can dominate a two-point high–low estimate.
Inflation / changed prices	Dollar movement may not come from activity.
Mismatched periods	Cost and driver must cover the same window.
Wrong driver	Fit is not causation; seek operating logic.

6 · Service system chooser

CH 8

custom · few — standard · many

Professional job costing hour / job | **Service shop** hybrid visit / txn | **Mass service** process passenger / kWh

no inventory → all costs are period costs

Source: Service Costing, Fig 1 — contact, customisation and volume choose the system.

```
Professional job cost = labour + applied OH + disbursements
Mass-service unit cost = total period cost ÷ service units
```

7 · Weighted-average process costing

CH 5

Ending WIP: same physical units

Materials: 100% if added at start

Conversion: ending % only

never blend materials and conversion EU

Source: Process Costing, Fig 1 — one physical count, two equivalent-unit counts.

STEP	WEIGHTED-AVERAGE MOVE
1 Flow	Beg WIP + started = transferred + end WIP.
2 EU	Transferred + end WIP × completion %, separately.
3 $/EU	(Beg WIP cost + added cost) ÷ EU, by element.
4 Assign	Transferred at total $/EU; ending WIP by element.
5 Reconcile	Transferred + end WIP cost = total costs in.

Pool beginning-WIP cost with current cost; ignore beginning completion %. FIFO alone separates the work done this period. Materials added at start make ending WIP 100% complete for materials, even if conversion is only partial.

```
Materials EU = transferred units + ending WIP × materials %
Conversion EU = transferred units + ending WIP × conversion %
Transferred cost = units transferred × (materials $/EU + conversion $/EU)
Ending WIP = materials EU × materials $/EU + conversion EU × conversion $/EU
```

FIFO contrast: keeps beginning work separate and costs work done this period; weighted average blends it. Use weighted average unless another method is expressly requested.

8 · Support-department allocation

CH 6

DIRECT no inter-SD | **STEP-DOWN** one-way | **RECIPROCAL** full mutual

Support depts → Production

Stage 1 allocate → Stage 2 apply

Source: Overhead Allocation — increasing recognition of support-to-support service.

Step-down order: allocate first the support department serving the most other support departments; break a tie by larger overhead budget. Once allocated, it is closed: no flow back. Re-base the denominator over departments still open.

9 · ABC: hierarchy → rate → distortion

CH 7

UNIT · each unit	driver: units/MH	machining · power
BATCH · each batch	setups/batches	setups · inspections · moves
PRODUCT · each line	design hours	design · testing · specifications
FACILITY · whole plant	exclude	rent · security · factory admin

Source: Activity-Based Costing, Fig 1 — driver level must match what triggers cost.

RESOURCES ledger $ → **POOLS** activities → **PRODUCTS** consumption

resource driver — activity driver

Source: Activity-Based Costing, Fig 2 — resources → activity pools → products.

```
Activity rate = pool cost ÷ total driver quantity
Product OH = Σ(activity rate × product driver use)
Consumption ratio = product driver use ÷ total driver use
```

TRADITIONAL VOLUME RATE	ABC CORRECTION
Overcosts simple, high-volume	Charges fewer batch/product activities.
Undercosts complex, low-volume	Charges setups, inspections, design consumed.

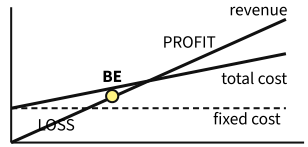
ABM: use activity data to remove non-value-adding work and attack root-cause drivers. Adopt ABC when diversity, indirect cost and distortion justify measurement cost; it is not automatically superior.

ABC BUILD	CONTROL QUESTION
1 Identify activities	What work consumes resources?
2 Form pools	Are costs homogeneous within each activity?
3 Select driver	Does it have a cause-and-effect relation?
4 Compute rate	Pool ÷ total driver quantity; keep units visible.
5 Charge products	Rate × each product's consumption; reconcile each pool.
6 Interpret	Which prices, mix or process decisions were distorted?

Two arithmetic doors: activity-rate method charges rate × driver use; consumption-ratio method charges pool × product share of total driver. They must agree. Facility-level cost has no defensible product cause-and-effect link and is usually excluded from ABC product cost rather than allocated arbitrarily.

10 · CVP memory block

CH 9



Source: CVP Analysis, Fig 1 — the revenue/cost crossing is zero profit.

```
Unit CM = selling price - unit variable cost
CM ratio = unit CM ÷ selling price
Profit = unit CM × units - fixed cost
BE units = fixed cost ÷ unit CM (round up)
BE $ = fixed cost ÷ CM ratio
Target units = (fixed cost + before-tax target) ÷ unit CM
Before-tax target = after-tax target ÷ (1 - tax rate)
```

RISK OUTPUT	FORMULA
Margin of safety	Budget/actual sales − BE sales; ratio ÷ budget sales.
Operating leverage	Total CM ÷ operating profit; %Δprofit = OLF × %Δsales.
Multi-product	Weighted-average unit CM using constant unit sales mix.

Assumptions: linear revenue/cost in range; one driver (volume); costs separable into fixed/variable; constant selling price, efficiency, inventory and sales mix. Tax never moves break-even because profit is zero there.

11 · Tactical decision chooser

CH 10

Rank by CM per machine-hour

1 Kettlebell $240/MH

2 Rower $200/MH

3 Bench $160/MH

Source: Tactical Decisions, Fig 1 — per constrained hour, not per unit.

IF ASKED…	COMPARE	TRAP
Special order	incremental revenue vs incremental cost	capacity → forgone CM
Make/buy	buy cost vs avoidable make cost	freed-capacity value
Keep/drop	lost CM vs avoidable fixed cost	common fixed cost
Process further	extra revenue vs separable cost	joint cost is sunk
One constraint	CM ÷ scarce-resource units	do not rank by CM/unit

ACC2200 Worked drills, judgement cards & exam-morning plan

INTRODUCTION TO MANAGEMENT ACCOUNTING · MONASH UNIVERSITY

SELF-TEST SIDE
Hide the answer path first

Full guide + ask Sia about ACC2200

SIDE 2 / 2 · FIVE DRILLS

Blank page first · formula → working → answer → reason

COVER ANSWERS · RECALL ALOUD

12 · Drill 1 — Kanga cost flow

CH 2 WORKED EXAMPLE

Given: opening/purchases/closing DM 48,000 / 415,000 / 39,000; DL 268,000; indirect labour 52,000; factory rent 60,000; factory depreciation 44,000; utilities 29,000; indirect materials 15,000; admin salaries 88,000; sales commissions 71,000; opening/closing WIP 31,000 / 25,000; opening/closing FG 54,000 / 63,000; sales 1,120,000.

DM used 48 + 415 − 39 = 424

MOH 52 + 60 + 44 + 29 + 15 = 200

TMC 424 + 268 + 200 = 892

COGM = 898 | **COGS = 889**

Source numbers: Cost Terms worked example — build downward and keep period costs out.

1. DM used = 48,000 + 415,000 − 39,000 = **424,000**.
2. MOH = 52,000 + 60,000 + 44,000 + 29,000 + 15,000 = **200,000**.
3. TMC = 424,000 + 268,000 + 200,000 = **892,000**.
4. COGM = 892,000 + 31,000 − 25,000 = **898,000**.
5. COGS = 54,000 + 898,000 − 63,000 = **889,000**.
6. Gross profit = 1,120,000 − 889,000 = 231,000. Period costs = 159,000. Operating profit = 72,000.

CHECK	ANSWER
Prime	424 + 268 = 692
Conversion	268 + 200 = 468
Cross-check	692 + 468 − 268 = 892

TRAP *WIP adjusts TMC to COGM; FG adjusts COGM to COGS. Admin and selling remain period costs.*

RAPID CLASSIFICATION REPLAY

COST	PRODUCT/PERIOD	DIRECT/INDIRECT	BEHAVIOUR
Green beans in a coffee bag	Product	Direct	Variable
Straight-line roaster depreciation	Product: MOH	Indirect	Fixed
Factory supervisor	Product: MOH	Indirect	Fixed
Sales commission	Period	Direct to sale, not product	Variable

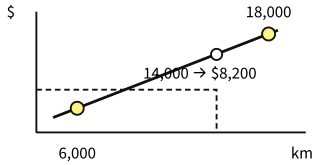
Run three separate lenses: timing, traceability and behaviour. Never infer one from another. A cost may be a product cost yet indirect and fixed; its labels do not change the total dollars, only how those dollars are used. For a pure service entity there is no inventory to value, so every cost is a period cost and no manufacturing COGM schedule is built.

Schedule presentation: show DM used, MOH, total manufacturing cost, COGM and COGS as labelled subtotals. Bracket period costs outside the factory schedule. If the final number slips, ordered working preserves method marks and makes the reconciliation fault visible.

13 · Drill 2 — Northline high–low

CH 3 WORKED EXAMPLE

Given: high activity 18,000 km at $9,400; low activity 6,000 km at $5,800. Find b, a, the equation and predicted cost at 14,000 km.



Source: Cost Behaviour, Fig 2 — the 14,000 km prediction stays inside 6,000–18,000.

```
b = (9,400 - 5,800) ÷ (18,000 - 6,000)
= 3,600 ÷ 12,000 = $0.30/km
a = 9,400 - (0.30 × 18,000) = $4,000/month
Y = 4,000 + 0.30X
At 14,000: 4,000 + 4,200 = $8,200
```

Check: low point gives 5,800 − (0.30 × 6,000) = 4,000. The agreement validates the algebra, not the causal quality of the driver.

IF YOU SEE…	DO THIS
Highest dollar cost at mid activity	Ignore it for selecting high/low.
Prediction outside observed activity	Flag extrapolation beyond relevant range.
Regression R^2 = 0.92	92% of cost variation explained; not causation.
Step jump	Do not force one linear a + bX across threshold.

14 · Job-costing direction check

CH 4

```
Budget OH 480,000 ÷ 16,000 DLH = $30/DLH
Applied = $30 × 4,000 actual DLH = $120,000
Actual OH = $128,000 → under-applied $8,000
Dr COGS 8,000 · Cr MOH 8,000
```

Say it aloud: "applied less than actual → too little charged to production → add the shortfall to COGS."

DIRECTION CARD	ACCOUNT MEANING	CLOSE TO COGS
Applied < actual	MOH has debit balance; production was undercharged	Debit COGS · credit MOH
Applied > actual	MOH has credit balance; production was overcharged	Debit MOH · credit COGS

METHOD-CHOICE FLASH TEST

15 · Drill 3 — Meadowvale process

CH 5 WORKED EXAMPLE

Given: beginning WIP 12,000 units; started 68,000; transferred 72,000; ending WIP 8,000 at 25% conversion. Materials added at start. Materials cost: 24,000 + 96,000; conversion: 15,000 + 170,000.

80,000 physical units accounted for

Materials: 72,000 + 8,000 = 80,000 EU

Conversion: 72,000 + 2,000 = 74,000 EU

Transferred	Ending WIP
$288,000	**$17,000**

Source numbers: Process Costing worked example — materials and conversion diverge.

1. Flow: 12,000 + 68,000 = 72,000 + 8,000 = **80,000**.
2. Materials EU = 72,000 + 8,000 × 100% = **80,000**.
3. Conversion EU = 72,000 + 8,000 × 25% = **74,000**.
4. Materials $/EU = 120,000 ÷ 80,000 = **$1.50**.
   Conversion $/EU = 185,000 ÷ 74,000 = **$2.50**.
5. Transferred = 72,000 × $4.00 = **$288,000**.
6. Ending WIP = 8,000×1.50 + 2,000×2.50 = **$17,000**.
7. Reconcile: 288,000 + 17,000 = $305,000 = total cost in.

CLASSIC WRONG MOVE	CORRECTION
Apply 25% to materials	Materials enter at start → 100%.
Use beginning WIP 70% conversion	Weighted average ignores beginning completion stage.
One blended EU	Compute separate columns by cost element.
Stop after assignment	Reconcile total cost in = total cost out.

BLANK PRODUCTION-REPORT TEMPLATE

```
Physical units: beg WIP + started = transferred + end WIP
EU table: two columns — materials | conversion
Cost/EU: (beg cost + added cost) ÷ relevant EU
Assign: transferred at full cost; ending WIP by element
Reconcile: both assignments = all cost to account for
```

Explain the method: weighted average deliberately blends prior and current work, so it is simpler but does not isolate current-period performance. FIFO does isolate this period, which is why beginning completion matters there. In this course, use weighted average unless another method is expressly named.

DIAGNOSIS FROM A MISMATCH	FIRST PLACE TO INSPECT
Physical units do not balance	Started, transferred or ending counts.
Cost/EU unexpectedly high	EU denominator and beginning cost pooling.

16 · Allocation + ABC recall cards

CH 6–7

PROMPT	IMMEDIATE RESPONSE
Direct method	Ignore all support-to-support service; re-base on production only.
Step-down	Order, allocate, close; never flow back.
Reciprocal	Simultaneous equations recognise mutual service fully.
Plantwide distortion	One base blends departments with different consumption.
ABC rate	Pool cost ÷ total activity driver.
ABM	Attack why activities occur; eliminate waste.

$180,000 ÷ 150 setups = $1,200/setup

ALPHA · 30	BETA · 120
$36k ÷ 20k u	$144k ÷ 4k u
= $1.80/unit	= $36/unit

Beta: 80% setups; 17% units

Volume basis undercosts Beta

Source numbers: ABC worked example — batch intensity, not output volume, causes setup cost.

STEP-DOWN NUMERICAL SPINE

Northwind: allocate Maintenance first because the "serves other support departments" rule ties and Maintenance has the larger budget. $120,000 on 1,000:6,000:3,000 → Stores 12,000; Machining 72,000; Assembly 36,000. Stores becomes 72,000; Maintenance is closed, so re-base 500:300 → Machining 45,000; Assembly 27,000.

```
Machining OH = 400,000 + 72,000 + 45,000 = 517,000
Rate = 517,000 ÷ 10,000 MH = $51.70/MH
Assembly OH = 260,000 + 36,000 + 27,000 = 323,000
Rate = 323,000 ÷ 8,000 LH = $40.38/LH
```

Reconcile: original support cost 180,000 = received by production 117,000 + 63,000. If it does not tie, inspect the denominator and any forbidden flow-back.

JUDGEMENT *Reciprocal is most accurate, but its extra effort is worth it only when mutual support is material.*

ALLOCATION SELF-CHECK	QUESTION TO ASK
Order stated?	Most other support departments served; larger budget breaks tie.
Closed department protected?	No later cost may flow back to it.
Denominator re-based?	Use only destinations still eligible.
Production totals complete?	Own OH + all received support cost.
Stage 2 rate labelled?	Department cost ÷ its own budgeted driver.

17 · Drill 4 — Lumen CVP

CH 9 WORKED EXAMPLE

Given: price $180; variable cost $108/unit; fixed cost $540,000; target profit $180,000.

CM = 180 − 108 = $72 · ratio = 40%

BREAK-EVEN	TARGET PROFIT
540,000 ÷ 72	**720,000 ÷ 72**
7,500 units	**10,000 units**

BE sales = $540k/.40 = $1.35m

Source numbers: CVP worked example — build CM first; every answer flows from it.

1. Unit CM = 180 − 108 = **$72**.
2. CM ratio = 72 ÷ 180 = **40%**; price is the denominator.
3. BE units = 540,000 ÷ 72 = **7,500**.
4. BE dollars = 540,000 ÷ 0.40 = **$1,350,000**; check 7,500×180.
5. Target units = (540,000 + 180,000) ÷ 72 = 10,000.

IF YOU SEE…	DO Y
Fractional BE units	Round up.
After-tax target	Gross up ÷ (1 − tax rate), then add FC.
Tax-rate change at BE	No effect: profit and tax are zero.
Several products	Weighted-average unit CM; assume constant mix.
High fixed-cost structure	Higher leverage; profit swings harder.

18 · CVP assumption sentences

CH 9

"The estimate assumes price and unit variable cost remain linear within the relevant range." "Volume is treated as the only driver, although batch and product activities may also move cost." "The multi-product result is valid only while the assumed sales mix holds."

DISCUSSION MARK *Name the assumption and connect it to the firm's facts; do not list assumptions without consequence.*

RISK-OUTPUT RECALL

```
Margin of safety = budgeted/actual sales - break-even sales
MoS ratio = margin of safety ÷ budgeted/actual sales
Operating leverage factor = total CM ÷ operating profit
% change in profit = OLF × % change in sales
```

19 · Drill 5 — Nord product mix

CH 10 WORKED EXAMPLE

	ROWER	BENCH	KETTLE
Demand	3,000	6,000	40,000
Price	900	500	90
Variable	500	180	54
MH/unit	2.0	2.0	0.15
CM/unit	400	320	36
CM/MH	200	160	240

20,000 machine-hours → allocate by rank

Kettlebell	Rower	Bench
6,000 MH	**6,000 MH**	**8,000 MH**

40,000 Kettle + 3,000 Rower + 4,000 Bench

TC $3.92m · 2k Bench unmet

Source numbers: Tactical Decisions, Fig 1 — lowest CM/unit wins after conversion to CM/MH.

1. CM/unit: Rower 400; Bench 320; Kettlebell 36.
2. CM/MH: 200; 160; 240 → rank **Kettlebell, Rower, Bench**.
3. Kettlebell demand uses 40,000×0.15 = 6,000 MH; 14,000 left.
4. Rower demand uses 3,000×2 = 6,000 MH; 8,000 left.
5. Bench gets 8,000÷2 = 4,000 units.
6. Contribution = 40,000×36 + 3,000×400 + 4,000×320 = $3,920,000.

20 · Judgement cards + traps

CH 1 · 4–10

IF YOU SEE X	→ DO Y
Past cost / same both ways	Strike it out: sunk/common.
Special order + full capacity	Add displaced regular-sales CM.
Sell/process further	Ignore joint cost; compare extra revenue/cost.
Applied < actual OH	Under-applied; debit COGS.
Materials at process start	Ending WIP materials = 100%.
Low-volume complex product	Traditional volume rate likely undercosts it.
Service charge-out rate	Billing figure, not job cost.

21 · Exam-morning plan

GUIDE STRATEGY

WRITE	SAY	DO	STOP
formulae	**traps**	**one path**	**input**

Recall: COGM · high–low · POHR · EU

ABC · CVP · relevant cost · CM/hour

Sleep + clean working > rereading

Final check: reconstruct, explain and stop — this page does not enter the exam.