ACCT 20001 — Accounting for Management Decisions

THE UNIVERSITY OF MELBOURNE · SEMESTER 2, 2026 · UNDERGRADUATE LEVEL 2

CLOSED-BOOK MEMORY SHEET · Side 1 of 2 · what must be in your head

Full guide + ask Sia about ACCT20001

End-of-semester examination 65% | Mid-semester test 25% | Ongoing assessment: weekly online quizze

EXAM MAP "It will be a digital, invigilated, closed-book exam, and hand-writing responses will not be feasible." *(ACCT20001 2026 S2 Lecture 1 slide; 2026 S2 subject guide says details to follow (PDF_2026_S2_Lecture_1_Student_Copy_pdf.txt))*

Final: 2½ hours · problem-solving · **method + judgement**

1 · The Four-Move Answer

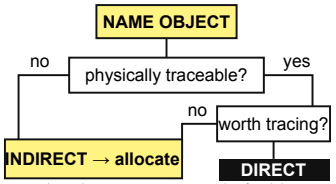
COURSE OVERVIEW · FAQ

RECITE BEFORE EVERY CALCULATION

`OBJECT → METHOD → UNITS → DECISION`

```
Name the cost object; choose and
name the method; compute in the
units asked; recommend and defend.
```

Management accounting reports inward to a decision-maker. A technically correct number left without a choice is incomplete. Keep the ***cost object*** fixed: the same supervisor salary is direct to the factory but indirect to each unit.



Source-derived tracing gate: a "no" to either feasibility question makes the item indirect. Ch 2 fig 1

INDEPENDENT TEST	QUESTION	RESULT
Assignment	Trace exact use?	Direct / indirect
Behaviour	Total as volume changes?	Variable / fixed
Inventory	Bring stock to present location/condition?	Capitalise / expense

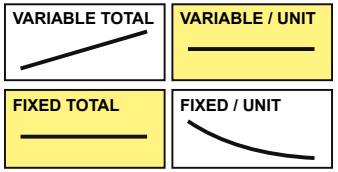
LOCATE BEFORE CLASSIFYING

Value chain: research and development → design → production → marketing → distribution → customer service. Classify with a reason: freight inward is production; finished goods outward is distribution. Committed-product work is design; testing an unproven technology is research.

PRODUCT COST	USE	BOUNDARY
Inventoriable	Statements	Present location/condition.
Direct + allocated	Contract	Agreed allocation rule.

2 · Cost Behaviour Memory

CH 2



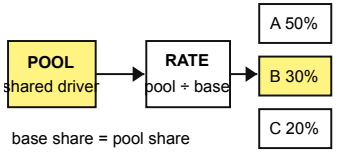
Totals and per-unit amounts move in opposite patterns; claims hold only within the relevant range. Ch 2 fig 2

3 · Allocation: Pool → Rate → Object

CH 3

EVERY ALLOCATION IN THE SUBJECT

```
Rate = cost pool ÷ total quantity of
base
Allocated to object = rate × base
used by object
Per-unit charge = object's
allocation ÷ its units
```



Source-derived allocation shape: the denominator uses the base consumed by every object. Ch 3 fig 1

RESPONSE TO INDIRECT COST	USE WHEN
Divide by units	Every unit is identical.
Allocate on a base	Outputs differ; a defensible base exists.
Do not allocate	No cause-and-effect story survives.

Choose the base: cause-and-effect is preferred; ability-to-bear (sales/profit) is weaker and can penalise success. Defend with causality, measurability, materiality and behavioural consequences. A driver causes cost; a base is what the system can measure.

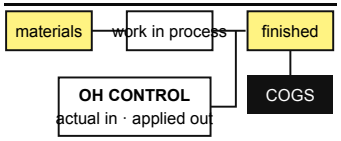
4 · Actual vs Normal Costing

CH 4

```
Actual rate = actual OH ÷ actual
base
Predetermined rate = budgeted OH ÷
budgeted base
Applied OH = predetermined rate ×
actual base
```

	ACTUAL	NORMAL
Rate known	Period end	Before period
Direct costs	Actual	Actual
OH applied	Actual rate	Predetermined rate
Trade-off	Accurate, late	Timely, adjust later

JOB RECORD AND COST FLOW



Indirect materials and labour detour through overhead control; the residual is cleared at period end. Ch 4 fig 2

5 · Job or Process Costing?

CH 4–5

CUE	JOB	PROCESS
Output	Distinct job/batch/service	Mass of identical units
Accumulation	Separate job record	Department-period pool
Averaging	Within job	Across all output
Signal	Customer specification	Completion percentages

PHYSICAL ≠ EQUIVALENT UNITS

Completed	mat. 100%	conv. 100%
Closing WIP	mat. 100%	conv. 20%

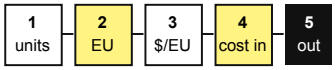
EU = units × input completion %

Source-derived equivalent-unit split: the same WIP can be complete for materials and partial for conversion. Ch 5 fig 1

FIVE STEPS, FIXED ORDER

```
1 reconcile physical units → 2
equivalent units → 3 cost per EU → 4
costs to account for → 5 assign to
completed + closing WIP
```

Weighted average: blend opening WIP and current cost. **FIFO:** keep opening WIP separate and price current work separately.



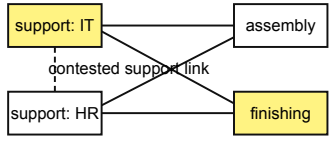
step 4 total = step 5 total

The last assignment must reconcile to all costs available; a mismatch usually means a percentage hit the wrong column. Ch 5 fig 2

6 · Support Departments

CH 6

METHOD	SUPPORT-TO-SUPPORT USE	EXAM MOVE
Direct	Ignore it	Exclude support users from denominator.
Step-down	One direction	Rank; allocate; close; enlarge next pool.
Reciprocal	Both directions	Understand simultaneous equations.



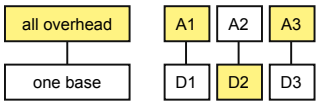
Delete support-to-support links for direct; keep one-way links for step-down; reciprocal keeps both. Ch 6 fig 1

7 · Activity Based Costing

CH 7

One plant-wide base fails when the pool contains costs driven by different things. ABC follows: resources generate costs → activities consume resources → products consume activities. Create activity pools, choose a causal driver for each, calculate each rate, assign by driver use, then compare product unit costs.

ONE-RATE SYSTEM **ABC**



same total cost · different product split

Source-derived comparison: separate activity pools stop one volume base from hiding complexity. Ch 7 fig 1

TRIGGER: WHAT REPEATS?

- **UNIT** each unit made
- **BATCH** each set-up / order
- **PRODUCT** line kept alive
- **FACILITY** plant/store
- **ORGANISATION**

The causal link to a product weakens up the hierarchy; facility and organisation costs may remain unallocated. Ch 7 fig 2

SINGLE-BASE DISTORTION	LIKELY RESULT
High-volume, standard	Over-costed; price too high; volume lost.
Low-volume, complex	Under-costed; price too low; bad volume won.

Do not claim ABC creates profit. It reallocates the same total. Benefits arrive only through repricing, redesign or capacity decisions. It may not be worth building when output is uniform, overhead is small, or resource use follows volume.

BUILD AND DIAGNOSE

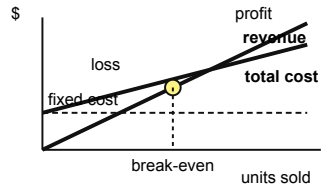
1. Identify activities and resource costs.
2. Create homogeneous pools.
3. Choose each activity's causal driver.
4. Rate = pool ÷ total driver quantity.
5. Assign from product driver use.
6. Add direct cost, divide per unit, explain the cross-subsidy.

Redesign signals: difficult products show implausible margins; competitors undercut simple products; the firm wins complex bids and loses simple ones; staff build shadow spreadsheets.

Memory check: pool and driver must describe the same activity.

9 · CVP, Safety & High–Low

CH 8

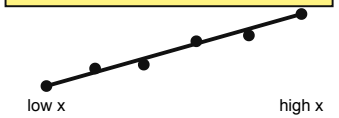


Revenue starts at zero; total cost starts at fixed cost. The crossing is calculated, never read from the sketch. Ch 8 fig 1

```
Margin of safety = actual/planned
sales - break-even sales
Operating leverage = contribution
margin ÷ profit
```

Assumptions: price and variable rate are constant; total fixed cost is constant; sales mix is stable; units produced equal units sold; all within the relevant range. Treat the answer as a band, not certainty.

HIGH–LOW USES ACTIVITY EXTREMES

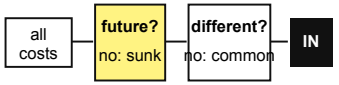


Pick highest and lowest activity—not highest and lowest cost—then check the fixed amount at both points. Ch 8 fig 2

```
Variable rate = (cost at high
activity - cost at low activity) ÷
(high activity - low activity)
Fixed cost = total cost - variable
rate × activity
```

10 · Short-Term Relevance

CH 9



opportunity cost needs no entry

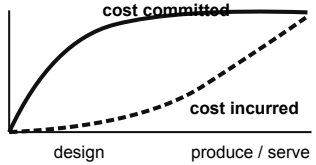
Source-derived filter: relevance comes from the decision, not from a fixed/variable label. Ch 9 fig 1

QUESTION	DECISION RULE
Make or buy	Compare avoidable make cost with purchase price + opportunity cost.
Special order	Spare capacity: price vs incremental cost. Tight capacity: add displaced contribution.
Product mix	Rank CM per unit of binding constraint, not CM per product.
Drop segment	Drop only if avoidable cost saved exceeds lost revenue.

11 · Horizon Changes the Answer

CH 9–10

Short run: incremental + opportunity cost inside capacity. **Long run:** capacity becomes avoidable; pricing starts from full value-chain cost.



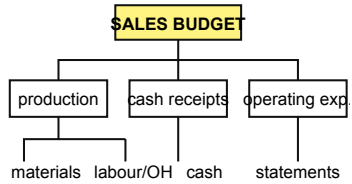
Source-derived life-cycle picture: most cost is decided in design, then spent later; long-run cost management starts early. Ch 10 fig 1

Pricing: full value-chain cost includes all six functions; inventoriable cost stops at the factory. Name the horizon and purpose.

Activity based management: attack the driver. Savings become cash only when capacity is withdrawn or redeployed.

12 · Master Budget Chain

CH 11



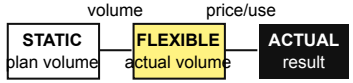
Source-derived dependency order: a weak sales forecast contaminates every schedule below it. Ch 11 fig 1

```
Production = sales + desired closing
FG - opening FG
Materials purchases = usage + desired
closing materials - opening materials
```

Check: closing above opening means production/purchases exceed demand; a rundown means they fall short. Participation improves information; evaluation creates slack risk.

13 · Flexible Budget & Variances

CH 12



change volume, then rates/use

Source-derived bridge: comparing static directly with actual merges two causes and two responsibilities. Ch 12 fig 1

ACCT 20001 — Accounting for Management Decisions

THE UNIVERSITY OF MELBOURNE · SEMESTER 2, 2026 · UNDERGRADUATE LEVEL 2

CLOSED-BOOK MEMORY SHEET · Side 2 of 2 · self-test drills, judgement cards, traps

Full guide + ask Sia about ACCT20001

SIDE 2/2 FIVE SOURCE-NUMBER DRILLS · If-you-see-X judgement cards · method chooser · classic traps · exam-morning retrieval

REVISE · CLOSE · REPRODUCE · CHECK

14 · Drill 1: Allocate the Pool

CH 3 WORKED · 5 MARKS

Data: $96,000 power + machine servicing. R: 1,600 machine hours, 8,000 units. S: 800 hours, 2,000 units.

$96,000 ÷ 2,400 HOURS = $40/HOUR

R · 1,600 h	S · 800 h
$64,000 total	$32,000 total
÷ 8,000 = $8	÷ 2,000 = $16

check: $64,000 + $32,000 = pool

Carry the calculation through line allocation to the requested per-unit charge. Ch 3 worked

1. Total base = 1,600 + 800 = **2,400 h**.
2. Rate = 96,000 ÷ 2,400 = **$40/h**.
3. R allocation = 1,600 × 40 = $64,000; unit = $8.
4. S allocation = 800 × 40 = $32,000; unit = $16.

Why S is higher: it uses half R's hours but spreads its allocation across one-quarter of R's units. The first division assigns to a line; the second reaches a unit.

Base defence: power and servicing are consumed while machines run, so machine hours track cause. A units base could allocate all $96,000 and still misstate causality.

CHECK	CATCHES
Base shares ⅔ + ⅓	Wrong denominator
Allocations = $96,000	Omission/double count
Final label $/unit	Stopping at line total

15 · Drill 2: Normal Costing

CH 4 WORKED · 6 MARKS

Data: budgeted OH $528,000; budgeted machine hours 12,000; actual OH $514,000; actual hours 11,800.

PREDICT → APPLY → CLEAR

rate	**$528k ÷ 12k = $44/h**	**$5.2k** OVER ↓ COGS
apply	**$44 × 11.8k = $519.2k**	
actual	**$514k**	

Applied exceeds actual, so production carried $5,200 too much and cost of goods sold is reduced. Ch 4 worked

```
Dr manufacturing overhead $5,200
Cr cost of goods sold $5,200
```

Why normal costing exists: actual rate needs the whole period's overhead and base, so it cannot cost a March job until year end. The prediction buys timeliness; direct costs remain actual.

COMPARISON	DIRECTION	COGS
Actual OH > applied OH	Under-allocated	Increase
Applied OH > actual OH	Over-allocated	Decrease

Job record: materials and labour trace to requisitions/time records. Applied overhead is rate × chosen base, so identical jobs can carry different overhead judgements.

16 · Drill 3: Equivalent Units

CH 5 WORKED · 4 MARKS

Data: no opening WIP; 9,000 completed; 2,000 closing WIP; materials 100% complete; conversion 35% complete.

	MATERIALS EU	CONVERSION EU
Completed	9,000	9,000
Closing WIP	2,000 × 100% = 2,000	2,000 × 35% = 700
Total	**11,000**	**9,700**

2,000 PHYSICAL CLOSING UNITS

MATERIALS	CONVERSION
2,000 EU	700 EU

completion is input-specific

Material entered at the start; conversion accumulated with work. Ch 5 worked

Answer: materials 11,000 EU; conversion 9,700 EU. Completion is assessed for each input. Transferred-in cost is always complete in the receiving department.

```
Cost per EU (each category) =
category cost to account for ÷
category EU
Completed cost = completed units ×
each category $/EU
Closing WIP = closing EU × each
category $/EU
```

Weighted average: reconcile units; compute EU; combine opening + current cost; calculate $/EU; assign to completed and closing WIP; reconcile cost out to cost in.

ERROR	REPAIR
One WIP %	Separate materials/conversion.
Physical denominator	Convert incomplete work to EU.
No reconciliation	Completed + closing WIP = cost in.

17 · Support Allocation Card

CH 6 WORKED

Data: technology costs $600,000; 60,000 h to assembly, 20,000 to finishing, 20,000 to HR.

SAME POOL · DIFFERENT DENOMINATOR

DIRECT	STEP-DOWN
$600k ÷ 80k h	$600k ÷ 100k h
= $7.50/h	= $6.00/h

$120k to HR → larger HR pool

Direct excludes HR usage; step-down includes it because technology is allocated first. Ch 6 worked

Totals never change. The method redistributes support cost across operating departments, affecting later product costs. Justify the sequence by service provided, not preference.

18 · Drill 4: High–Low

CH 8 WORKED · 5 MARKS

Data: $47,300 at 1,900 machine hours; $32,300 at 900 hours.

Δ COST ÷ Δ ACTIVITY

rate: $15k ÷ 1,000 h = $15/h

high: $47.3k − $28.5k = $18.8k

low: $32.3k − $13.5k = $18.8k

cost equation: Y = $18,800 + $15X

The identical fixed component is the arithmetic check; plotting all months checks whether the two extremes are representative. Ch 8 worked

1. Select extremes by **activity**.
2. Variable rate = $15 per machine hour.
3. Fixed cost = $18,800 per month.
4. State limitation: two observations determine the whole line; regression uses all observations.

Forecast: substitute the expected activity into Y = $18,800 + $15X. Stay within the observed relevant range unless the question justifies extrapolation. A high-cost month is not automatically the high point; a one-off repair can raise cost while activity remains ordinary.

METHOD STEP	SELF-CHECK
Pick observations	Highest/lowest X, not Y.
Find slope	Δcost ÷ Δactivity; label $/driver.
Find intercept	Both points return the same fixed cost.
Use equation	Forecast only inside relevant range.

19 · CVP Recall Card

CH 8

price − VC **CM/unit** → fixed + target ÷ CM/unit → **required units**

sales $ = (F + target) ÷ CM ratio

Target profit is treated as another block to be covered by contribution.

IF YOU SEE X	→ DO Y
Unit data	Use CM per unit.
Sales percentages	Use CM ratio.
Several products	Hold sales mix constant.
Price cut	Recompute CM; break-even rises.

```
Break-even units = F ÷ CM/unit
Break-even sales = F ÷ CM ratio
Target units = (F + target profit) ÷
CM/unit
Margin of safety = actual/planned
sales - break-even sales
```

20 · Drill 5: Binding Constraint

CH 9 WORKED · 4 MARKS

Data: P earns $18 contribution and uses 0.5 scarce machine hour. Q earns $30 and uses 1.2 hours. Demand exceeds capacity.

RANK PER UNIT OF THE BOTTLENECK

P	Q
$18 ÷ 0.5 h	$30 ÷ 1.2 h
= $36/h	= $25/h

P first · avoids $11/h loss

Product contribution alone selects Q incorrectly; the scarce resource is what must be rationed. Ch 9 worked

1. Name the binding constraint: machine hours.
2. P = $36/h; Q = $25/h.
3. Make P until its demand is met, then Q.
4. If there is no scarce resource, no ranking is needed; make every product with positive contribution.

Selecting Q on unit contribution sacrifices **$11 per constrained hour**. After P demand is met, use the next-ranked product.

21 · Pricing Horizon Mini-Example

CH 10 WORKED · 5 MARKS

Data: inventoriable production cost $118; R&D $22; marketing/distribution $19; customer service $6; mark-up 20%.

FULL-COST BASE BEFORE MARK-UP

full chain	**118 + 22 + 19 + 6**	$23.40 below full cost
price	**$165 × 1.20 = $19**	
factory	**$118×1.2 = $141.60**	

long-run price uses full value chain

Factory cost plus 20% looks profitable but is $23.40 below the unit's full consumption. Ch 10 worked

Answer: indicative full-chain price = $198. Factory-only price = $141.60, below $165 full cost. Contrast with a short-run one-off order using idle capacity, where price above incremental cost can add contribution.

22 · Decision Judgement Cards

CH 9–10 FAQ

IF YOU SEE X	→ DO Y
Allocated fixed OH in make/buy	Ask whether it disappears; exclude if it continues.
Spare capacity	No displaced sale; no opportunity cost.
Machine at limit	Add lost CM as opportunity cost.
Reported segment loss	Compare lost revenue with avoidable cost only.
Driver falls	Do not call it cash saved until capacity moves.

23 · Budget & Variance Drill

CH 11–12 WORKED

PRODUCTION SCHEDULE

Data: sales 9,000 units; opening finished goods 1,900; desired closing 1,200.

```
Production = 9,000 + 1,200 - 1,900 =
8,300 units
```

sales	+	closing	−	opening
9,000		**1,200**		**1,900**

= 8,300 production · inventory falls by 700

Because closing stock is below opening stock, production must fall short of sales. Ch 11 worked

SALES-VOLUME VARIANCE

Data: budget 10,000 cases; price $50; variable cost $30; fixed cost $150,000; actual sales 11,200.

CM = $50 − $30 = $20 PER CASE

STATIC PROFIT	FLEX PROFIT
10,000×20 − 150k	11,200×20 − 150k
= $50,000	= $74,000

$24,000 F = 1,200 × budgeted CM $20

The volume variance explains extra cases only; it says nothing about actual prices, efficiency or spending. Ch 12 worked

Answer path: static profit $50,000; flexible profit $74,000; sales-volume variance $24,000 favourable. Only actual volume enters the flexible budget; price, variable rate and fixed cost remain budgeted.

MASTER-BUDGET LINK	FORMULA / DEPENDENCY
Sales	Units × selling price; heads the chain.
Production	Sales + closing FG − opening FG.
Materials usage	Units to produce × input per unit.
Purchases	Usage + closing materials − opening materials.
Cash	Timing of receipts/payments from all schedules.

Behaviour: budgets plan, coordinate, motivate and evaluate. Participation improves information but invites slack; review assumptions.

24 · Variance Direction Card

CH 12

FOR COSTS	FAVOURABLE	UNFAVOURABLE
Price	AP < SP	AP > SP
Quantity	AQ < SQ allowed	AQ > SQ allowed

25 · Method Chooser

CH 1–12 SYNTHESIS

SCENARIO CUE → FIRST METHOD

Exact quantity?	trace; else allocate
Unique output?	job costing
Identical + % complete?	process costing
Many activities/drivers?	ABC
Profit at a volume?	CVP
Alternative choices?	relevant costs

ACTUAL ≠ PLAN VOLUME → FLEX FIRST

Routing is the examinable skill: recognise the data pattern before touching arithmetic.

IF YOU SEE X	→ DO Y
Budgeted OH + base	Predetermined rate; apply to actual base.
Actual vs applied OH	Name under/over; adjust COGS.
Support units serve each other	Direct, step-down or reciprocal.
Target profit	Add target to fixed block.
Inventory formula	Add closing; subtract opening.

26 · Classic Trap Repairs

FAQ · STUDY STRATEGIES

TRAP	REPAIR PHRASE
Cost object drifts	Write it above the working.
Base denominator is one product	Use total base across all objects.
Line allocation given as unit cost	Divide once more by product units.
Fixed cost called irrelevant	Apply future + different tests.
ABC "saves total cost"	Same total, better split; action creates value.
Flexible budget uses actual price	Actual volume only; all rates budgeted.
F/U treated as verdict	Investigate linked causes and responsibility.

OBJECT — METHOD — NUMBER — **DO**

state → calculate → reconcile → act

A calculation earns its last mark only when the recommendation states what the number changes.

27 · Exam-Morning Retrieval

COURSE STUDY STRATEGY

At home: close this page and reproduce: four moves; classification tests; allocation formulas; under/over direction; process steps; support methods; hierarchy; CVP/high–low; relevance; budget signs; flexible bridge; variance formulas.

Your exam is closed book: nothing printed goes in. Use this sheet to revise and self-test, not to carry.
Semester 2 examination period, 2–20 November 2026.