TUTOR MARKED ASSIGNMENT

Course Code : MCO – 05

Course Title : Accounting for Managerial

Decisions

Assignment Code : MCO – 05 /TMA/2024

Coverage : All Blocks

Maximum Marks: 100

Attempt all the questions.

Q.1 Briefly explain the accounting concepts which guide the (20) accountant at the recording stage.

Q. 2 Distinguish between the following:

(4x5)

- a) Product cost and Period cost
- b) Controllable and Uncontrollable cost
- c) Variable and Fixed costs
- d) Direct and Indirect costs

Q. 3 Write short notes on the following:

(4x5)

- a) Sales Budget
- b) Material Budget
- c) Production Cost Budget
- d) Overhead Budget
- Q. 4 Write a detailed note explaining the advantages and limitations of (20) Standard Costing.
- Q. 5 Explain the different types of the reports that are used in an (20) enterprise.

MC0-05

Accounting for Managerial Decisions

Butefly explain the accounting concepts which quide the accountant at the necolding stage.

Ans: Accounting concepts, also known as accounting

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Assinciples or assumptions are fundamental that

goidelines that govern the practise of accounting

and financial reporting. These concepts browide

a prome work for recoding, summarizing and

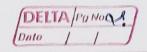
presenting financial transactions in a

consistent and meaningful manner. At the

recording stage, accountants rely on several

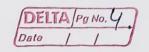
key accounting concepts to ensure the accuracy

recording stage, accountants vely on several
key accounting concepts to ensure the accuracy,
welfalatity and relevance of financial
information, below one some of the most
important accounting concepts the guide accountants
at the recording stages



7. Entity concept 6-The entity concepts states that a business entity chould be treated as separate and distinct from its owners or other entitles. Under this concept, business triansactions shoulde of the buisness entity itself, nother than Ets
owners or stakeholders. This ensures that the financial afgains of the buisness are kept separate from those of its owners, facilitating accurate and transparent financial reporting. 2 Going concer Concepts-The going concern concept assumes that a unless there is evidence to the contrary This concept Implies that financial statements are prepared on the basis that the business will continue it perations in the foreseeable future, allowing for the use of thistorical cost accounting and depute clation methods. At the necounting stage, accountants assume that the business will continue to openate and necond transactions accordingly, unless there

evidence of liquidation of cessation of operations. 3. Money measurement Concepts-The money measurement concepts state that only tudoractions that can be expressed in **(** monetary tums should be recorded to the accounting records. This concept facilitates the quantification and measurement of financial transactions, allowing for the aggregation and comparison of financial information over time. At the recording stage, accountants jours on captewering monetary transactions and events that I have a measurable simpact on the financial position and performance of the business. 4. Historical cost conceptor The historical cost concept regulares that 955ets and Stabilities be recorded at thier oxiginal acquisition cost, mathen than thier curivent harket value. Thes concepts ensures objectively and verifiability in financial expansions as historical cost in formation is based on actual transactions and



ucuifiable evidence. At the seconding stage, accountants record asset acquisitions and liabilities at they historical cost, which serve as a refreable basis for subsequent measurement and volvation.

5. matching concepts-The matching concepts states that expenses should be necognized in the same period as

the seevenues I they help generate, regardless

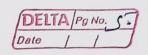
This concepts ensures that expenses are

properly match witch the revenues they containbute to, resulting in accurate determination of net income for a gruen

accounting perfod.

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In summary, accounting concepts provide a frome work for necording financial transaction and events in a consistent, occurate and meaning ful manners by adhering to these fundamental pulociples, accountants maintain the Integrity and trustwoothness of the accounting profession.



2 97	Product cost and period cost.
Ans?	Product cost and period cost one two
	categories of costs recognised for accounting
	each senting different purposes and
	toch serving different purposes and treated differently in financial statements.
6	
7.	Product costs
	Product cost are expenses directly associated
	with the production of goods or services
	that a company selfed These cost include
	Viruet materials of Ninect Jabor and monufacturing
	overthead. product costs are capitalired as
	incentory until the goods are sold, at
	which point they are expensed as cost of
	goods sold on the Income statements
-	product costs are considered assets on the
	balance sheet until the associated products
	are sold g at which point they are
	recognized as expenses.
9	Day for death
<u></u>	Period costs.
	period costs are expenses that are not directly fied to the production of goods or services, but righter one incurred over a specific
	but wother one formand for services,
	in signer and incurred over a specific

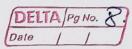
beriod of time, such as a month or a year. They are deducted from revenue to calculate net income on the income statement for the build. the period. In summary, while product costs are directly sexusces and are capitalized as somentory

persods costs are incurred over a specific

persod and are expensed in the persod

in which they are incurred. be controllable and uncontrollable costs ans & controllable costs and uncontrollable costs are two classification used in managenial accounting to categorize tochences pased on the sevel of influence or control that a manager has over them. 1. Controllable costscontrollable ents are expenses that can be directly influenced or controllable oga managless culth for a specific time frome

There costs are typically occopiated with managental decisions and actions, such as production levels, resource allocations and cost oreduction initiatives Example of controllable costs facture direct labor, non materials, supplies, and saviable overhead costic manageus have the authority to make decirons to reduce or control these costs through measurers such as Empriouting efficiency, negotiating lower purces, or changing production processes. Uncontrollable cost 8-Uncontrollable costs are expensed that a manager cannot significaintly influence or control through thier decisions and actions. These costs are often beyond the manager's authority or are influenced by external factors such as market conditions, government signations or ecomic factors a escample of uncontrollable coste Podude vient, insurance head costs. In summary, controllable costs are expenses



	that managers can in fluence or control through
	that managers can influence or control through they decision and actions, and one beyond the manager's direct control.
	the manager's druct control.
ch	Variable and Risced cost.
6	
ans?	Variable costs and fixed costs are two
	classifications of costs in managerial
	accounting that behave differently based on
	classifications of costs in managerisal accounting that behave differently based on changes in activity levels with a husiness.
	Variable costes-
	variable costs one expenses that vary in
	direct promotion to changes in production
	or sales volume. The Scorts inchage or
	decicase as the level of activity within
	the businesses changes. example of variable costs factude Haw materials, direct
	variable costs idelude How materials, direct
	Jahor, sales commissions and utilies diffectly
	Jahon, sales commissions and utilizes directly related to production. However, the cost per unit remains constant.
	bey unit yemains constanto
Я	02 1 . 409
	Fixed cost85
	fixed costs are expenses that remain

unchanged surgardless of changes in unchanged regardless of changes in production or sales volume within a centain range of activity. These costs are incurred regularly over a specific period, regardless of the level of output. Drample fisced costs include rent, salaries of permanent employees, incurrence premiums, depreciation on equipment, and property taxes. Fixed costs do not vary with changes in production or sales sevels in the short term and are considered to be incurred to maintain the business's operation. In summary, variable costs fluctate with changes in activity Jevels, while flored costs vemain constant within accentain range of activity. d? Direct and Indirect costs. Wisect costs and Indirect costs one two classification of cost used in managental accounting to differentiate between expenses that can be easily traced to a

specific cost object and those that cannot. 1. Dispect costis Direct costs are expenses that can be dissectly and early attributed to a specific cost object, such as a product, department, project or customer. These costs are so the existence of the existence of the cost object and can be traced directly to sto Direct costs are typically variable on meture and vary proportionally with changes in the level of activity. 2. Indirect costs: Indirect costs are expenses that connect be easily or directly attailbuted to a specific cost object but lave incurred for the penefit of multiple cost objects or the ownall openations of the bustness. Facample of indirect cost include overhead expenses such as yent, utilities, depressation, and Indistect Jabosto In summary, direct costs are directly

attailbutable to a specific cost object, whele inderect costs benefit multiple cost object and cannot be easily traced to any single cost objects 5 30 Saler budget. outlines the expected sales revenue and Sales volume for a specific period, typically a fiscal year, quanter or month. The sales budget is prepared based on various factors usuch as his toxical sales data, market trends, customer demand and sales forecastl. The sales budget typically includes the Jollowing key elemented Sales Revenue Porecaster The sales budget specific the expected total sales sevenue generated from the sale of goods or severices during the budget period. This figure is derived from sales volume projections and unit selling princes.

2. Sales volume projections of the sales

budget outlines the anticipated quantity of goods or services to be sold during the budget period.

3. soles Tongets by product or service category:
The soles budget may break down soles

tongets by product line, service category;

geographic region, customer segment or

soles channels.

Overall, the sales budget sence as a curical planning tool for a signing sales objectives with overall business gouls, allocating sucrounce effectively and profitability.

1 by material budget.

Ans! A material budget is financial plan that putlines the anticipated costs and quantified of materials meeded for production during a checific partial of typically a fiscal year, quarter or month. It is componed of the overall master budget and serves as a cultical tool for managing the procure ment, and control of materials with an organizations.

	The motorial hidget tubically includes the
	of 11 P Key classes 40
	The material budget typically includes the following key elements
1	material Regularemente: The material budget
	Maturial Mydrathal and augustiffer of
	specific the types and quantities of
6	matarials, components and supplies
	needed for production activities based on
	production forecasts sales projections and
	Inventory levels. It takes into account
	Lactore Such as production, volume, and
	wastage allowonces.
2.	maturals costion The matural budget
	estimates the total cost of materials required
	for broduction by mustifullying the
1	anticificated material quantities by thier
	rechestice unit costs. The budget may
	suspective unt t costs. The budget may also account for any anticipated price furtations or changes in supplier terms.
	distillant or changel in subblief terms.
(3.	Punchase schedule of the material budget established a schedule for producting materials to ensure timely delievery and availability and production.
	and lister a schedule for by auxing materials
	to the time by delience and availability
	TO PASOTE TIMES
	and production.

overall, the maturial budget playe a rital mode in failitating effective resource planning, cost management, and operational effectioncy with in an organization. 6 et Production cost budget. ansé a production cost budget pe a financial plan that outlines the anticipated costs associated with manufacturing or

producing goods during a specific beried

typical a fiscal year of quarter, or month.

It is a component of the overall

master budget and served as a criticle

tool for planning, controlling and

evaluating preduction activities within

an organizations. The peroduction cost budget typically includes the following key exements to Diviect materials The production cost budget estimates the costs of Maw materials and components needed for production based on production fore casts and inventory Jevelso

2. Manufacturing Quenhead 6- The punduction cost budget allocates overhead costs associated with manufacturing operations, such as uent, utilies, and indirect Japone 6-3. Production costsor the production cost budget oggregates the costs of direct materials, direct labor, and manufacturing overhead to determine the total production costs for improve cost competitionecs and enhance openational performance. Overall, the production cost budget provides valuable insight into the cost structure of production activities, support decision-making and operational efficiency. de Overhead budget. An over head budget is a fundamental

financial plan that outlines the expected

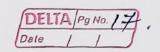
costs of indirect expenses associated with

openating a pusiness during a specific period,

such as a fiscal year, quarter or

months. monthso

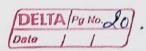
	Date
	The overhead budget serve as a notal
	component of the overall master budget
	and helps organizations plan , control
	and allocate mesources effectively.
6-	The overhead budget typically includes the following key elementis
	following key elementist
7.	Fixed overhead costs - Fixed overhead costs
	are expenses that remain relatively constant
	regardless of changes in production volume
	de octively severe within a certain sange.
	Examples of Fisced OUCHDEURS COSTS THEMICE
•	rent hoberty taxes, insurace premiuma
	de preciation on equipment and salaries
	of permanent staff.
4	
2,	Justiables overhead costion and expensed that furtuate in direct proposition to changes in production volume or activity Jewels.
	Fuctuate in direct puo position to changes
	En production volume on activity Jevels.
3.	semi-variable overhead costé dre expenses
	that have both floced and may vary with changes in production volume or activity
	changes in production volume or activity



Jevels within certain ranges. Escomple of semi-variable overhead costs include utilities with a fixed component and a variable component. components. 4. Over head allocation methods The overhead budget may specify the methods used to departments or activities common allocative methods include direct labor hours, machine Costing methods based on cost duivers. 5. Cost control megsavers. The overhead budget may incorporate cost control measures and efficiency targets to aptimize ouchhead costs, and enhance speciational performance. These measures may include pur ness improvements, waste reduction programs, energy saving initiatives and cost-soving initiatives. Overall, the overhead budget provides valueable insights into the cost studeture of indirect expenses supports decision making and operational efficiency.

Date
odvantages and limitations of standard
advantages and limitations of standard
costrago
Standard costing is ne managerial accounting
technique that involves setting predetermined
coste for various Enputs, such as materials,
labor and overhead, and then comparing
these standard costs to actual costs
Encurred during production or operations
This method browings several advantages and limitation that are important for business
limitation that are important for business
to consider when implementing standard
\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \
Advantage of standard costings-
cost control :- standard costing facilitates cost control by providing a benchmark against
control by providing a benchmark against
which octual costs can be compared.
Manager can identify and investigate significiant
variances between standard costs and
actual costs, allowing them to take corrective
actions to reduce Ineffences, and improve
cost managemento
J

Performance Evaluations standard coasting enables performance evaluations by providing a bosis for assessing the efficiency and processes or fordividuale with an organization by companing a ctual pertomance against perdetermined standards, managers can 0 and take appropriate measure to improve per formance devision making by providing verificiale cost information for pricing decisions, make -or by decisions, capital investment decisions and product mix decisions by comparing the expected costs of different after on patives to standard costs, managers can make informed decisions that maximire profitability and enhances motivation and Incentives standard coasting con motificate employees by providing clear, performance targets and incertive for achieving or exceeding there targets by



	Dato
	Inking how tormoner to Herounds , such as
	boncises or promotions, organizations can
	encourse en Maria a to studie tox
	encourage employees to studie for
	excellence and align thier efforts with
	organizational goals.
0	Dudactine and I langing to standard courting
	todiffer had affect and blu-ning bu
	Budgeting and planning 6- standard courting foodsitted budgeting and planning by providing a basis for developing realistic and cochievable budgets.
	and Castingable budgets
	and september party.
	Limitations of standard Costings-
1	Rigiditys standard coasting may be too rigid
	and Infinishe to accommodate changes for
	market comitions, technology, or buisness
	processes standard costs I are based on
0-	historical data and may not reflect
	current realities, making it dittent
	environments.
	environments.
2	
	on accurate and years of standards to be
	encuracy of standards standard corting relies on accurate and realistic standards to be effective.
3	Béhousburg Lesuers standard coasting may
	The state of the s

lead to dysfunctional behaviour, such as gaming, padding of budgetary slack, as employers may manipulate soctual nesult to meet or exceed predetermined targetro. This can undermine the integrity of performance evaluation disort decision— making and evode trust within the preganizations. focus on cast Reduction of standard coasting may encourage a narrow four on cost reduction at the expense of other performance dimensions or innovation. In conclusion, standard costing offers several advantages, including cost control, performance evaluation, decision-making suppost, motivation, budgeting and controvus improvement. 5. Exploin the different types of the reports that enterposises Below are some common types
of reporter and used in enterposises

operational Repositionoperational reposite provide detailed information about day to day activities and processes with In an organizations. Operational Reposite help manager mintar performance, thentify bottlenecks and efficiently. Management Reposition as sales, management vapants management reparts management reparts management reparts management reparts management reparts management of sales, management of sales, management of sales, management and quality managements Monogement Reposites-Analytical Reporties analytical Reports Pruolue in depth analysic of data to unrover turnds , patterns, and insights that can form devisionmaking analytical supposets are used to identify opposetunities, mitigating sisks and duive a trotegic instratives within an organizations.