Plug Transactions:

Open. Bal. Net Inventories 1,000
+ Total Purchases 2,000
- Cost of Sales (2,500) "Plug"
= Closing Bal. Net Inventories 500

Open. Bal. Allowance Bad Debt 4,000
+ Bad Debt Expense 4,000
- Bad Debts Written-Off (3,000) "Plug"
= Closing Bal. Allow. Bad Debt 5,000

Open. Bal. Retained Earnings
+ Net Income
- Dividend Declared

+ Sales on Credit
- Cash Collection from Customers
- Bad Debts Written-Off
= Closing Bal. Gross A/R

+ Sales on Credit
- Bad Debt Expense
- Cash Collection from Customers
= Closing Bal. Net A/R

Open. Bal. Net Finished Goods Inventories
+ Transfer from Work-in-Progress Inventories
- Cost of Sales
= Closing Bal. Net Finished Goods Inventories

Open. Bal. Net Work-in-Progress Inventories
+ Additions to WIP Inventories
- Transfer to Finished Goods Inventories
= Closing Bal. Net Work-in-Progress Inventories

Open. Bal. Net Raw Material Inventories
+ New Purchase
- Transfer to WIP Inventories
= Closing Bal. Raw Material Inventories

Open. Bal. Deferred Revenues
+ Cash Received in Advance from customers
- Revenues recognized
= Closing Bal. Deferred Revenues

Economic Value Added (EVA) = after-tax division income – [Cost of capital * (Assets – current liab.)]

Transaction that reduces Income but does not reduce Cash Flow: ↓Inventory; ↑Inventory Impairment Loss [OR] ↑Allow. For Inventory Impairment; ↑Inventory Impairment Loss

Issuing Bonds: Pricing: add up 2 PV’s; 1-PV(Face Value) at maturity; 2-PV(Annuity of Coupon Payments)

Accounting Entries for Bonds: e.g. bond issued at premium: ^Cash, ↓Bond Payable

For making period payments: CPN = FV * CPN Rate / Interest Expense = Book Value * Market Interest Rate

[Voucher PMT = "Cash PMT"] CPN=Interest: ↓Cash by amount of CPN PMT, ^Interest Expense; ^Bond Payable by difference b/w CPN and Interest PMT

CPN<Interest: Cash ↓ by CPN amount; Interest Expense ↑; CPN=Interest: Cash ↓, ^Interest Expense, NO change in Bond Payable

Variance Analysis: Price Variance = AQ(AP) – AQ(SP) Quantity Variance = SP(AQ) – SP(SQ) [For Material Price Variance use AQ PURCHASED; MQV use AQ USED]

Labor Rate Variance = Actual Hrs(Actual Rate – Std. Rate) Labor Efficiency Variance = Std. Rate(Area – Std. Hrs.) **Std. Material & Labor costs = part of WIP inventory

Profit = price * Volume – Cost (where cost = FC+unit VC*Volume) Contribution Margin = Sales (Revenue) – VC CM Ratio = (FC + O&M) / Sales [OR] = unit CM/Sale Price

Income Statement: Sales – Variable Expenses = Contribution Margin – Fixed Expenses = Net Operating Income (Net Income)

Calc. Break-Even Point: Sales = VC + FC + Profits ➞ Sale Price *(Q) = VC/unit *(Q) + TC / Unit profit margin

Operating Leverage: degree of operating leverage = CM / Net Income

POHR = Est. Tot. Mfg. OH / Est. Tot. units in Alloc. Base


Calc. POHR for different cost drivers: Part A: OH Applied = Budgeted MFG. OH / Budgeted D-L Hrs. Part B: Direct Labor Dollars = Budgeted MFG. OH / (Budgeted D-L Rate * Budgeted D-L Hrs.)

Calc. Cost over/under applied: Part A: POHR = Est. OH / Est. Activity Part B: Actual OH Rate = Actual Mfg. OH / Actual Activity Rate Part C: Direct Labor Rate = Direct Labor Dollars / Actual Activity Rate

3: Compare #1 to budget: actual/POHR < actual/POHR

Return on Investment (ROI) = investment center income / investment center asset base [OR] = Investment Turnover * Return-on-sales ➞ (Sales/Asset Base) * (Invest center Income / Sales)

Residual Income = Division income – (Minimum rate of return * (Assets – Current liabilities))