

Financial And Managerial Accounting Answer Key

ACT102-Vv

Incremental costs in making:

Variable manufacturing costs:		
Direct materials	(35,000 x P12)	P 420,000
Direct labor	(35,000 x P6)	P 210,000
Variable labor	(35,000 x P6)	P 210,000
Total variable manufacturing costs	(35,000 x P27)	P 945,000
Foreign savings fixed PBO	(30% of P100,000)	P 30,000
Total relevant cost		P 975,000

Purchase Cost:

Advantage of making the product	35,000 units x P25	P 875,000
		P 100,000

b) If the offer of CBS Mfg. Co. is accepted, what would be the effect on the operating income of Lapras Mfg. Co.

	Make	Buy	Difference
Sales (35,000 units x P50)	P 1,750,000	P 1,750,000	
Variable cost and expenses:			
Variable manufacturing costs			
(35,000 units x P27)	P 945,000		
Purchase cost (35,000 x P25)		P 875,000	P 70,000
Variable operating expenses			
(35,000 units x P6)	P 210,000	P 210,000	
	P 1,155,000	P 1,085,000	
Contribution margin	P 595,000	P 665,000	
Fixed cost and expenses:			
Factory overhead	100,000 (70%)	70,000	30,000
Operating expenses	20,000	20,000	
	120,000	90,000	
Operating income	P 475,000	P 575,000	P 100,000

* I think the effect on the operating income of Lapras Mfg. Co. is bad. As shown above, net income under the buy is expected to be lower by Php 100,000. It would be better to buy than to make because it is less costly.

c) How much is the cut-off purchase price?

Cut-off Purchase Cost= Total Relevant Cost	
Sales Volume	
x P275,000/35,000	
7.85	

Exercise 3: Sell or process further

Financial and managerial accounting answer key is a crucial resource for students, educators, and professionals in the field of accounting. Understanding the distinctions between financial and managerial accounting is essential for anyone looking to navigate the complex world of finance and business management. This article aims to clarify the differences, applications, and importance of both financial and managerial accounting, as well as provide insights into how answer keys can facilitate learning and comprehension in these areas.

Understanding Financial Accounting

Financial accounting is primarily concerned with the preparation of financial statements that

provide information about a company's financial performance and position to external stakeholders. These stakeholders include investors, creditors, regulators, and analysts. The main objectives of financial accounting are to provide:

- Accurate financial information
- Transparency and accountability
- Compliance with regulatory standards

Key Components of Financial Accounting

1. Financial Statements: The primary outputs of financial accounting include:
 - Balance Sheet: A snapshot of a company's assets, liabilities, and equity at a specific point in time.
 - Income Statement: A summary of revenue, expenses, and profits over a specific period.
 - Cash Flow Statement: An analysis of cash inflows and outflows from operating, investing, and financing activities.
2. Generally Accepted Accounting Principles (GAAP): Financial accounting adheres to GAAP, which provides guidelines for financial reporting, ensuring consistency and comparability of financial statements.
3. External Audits: Financial statements are often subject to audits conducted by independent firms to enhance the credibility of the reported financial information.

Understanding Managerial Accounting

Managerial accounting, on the other hand, focuses on providing information to internal stakeholders, particularly management, to assist in decision-making, planning, and control. The key objectives of managerial accounting include:

- Supporting strategic planning
- Facilitating budgeting and forecasting
- Enhancing performance measurement and management

Key Components of Managerial Accounting

1. Cost Analysis: Managerial accounting involves analyzing costs to determine the most efficient way

to allocate resources. This includes:

- Fixed and variable costs
- Direct and indirect costs
- Standard costing and variance analysis

2. Budgeting: The preparation of budgets is a significant aspect of managerial accounting, which involves creating financial plans that guide the organization’s operations.

3. Performance Metrics: Managerial accounting includes the development of key performance indicators (KPIs) and dashboards to help management monitor organizational performance.

Differences Between Financial and Managerial Accounting

While both financial and managerial accounting aim to provide useful information for decision-making, they serve different purposes and audiences. The following table summarizes the key differences:

Aspect	Financial Accounting	Managerial Accounting
Purpose	Provide financial information to external parties	Aid internal decision-making and management
Audience	External stakeholders	Internal management
Reporting Frequency	Quarterly and annually	As needed (often monthly or weekly)
Compliance	Must adhere to GAAP or IFRS	No mandatory compliance with external standards
Focus	Historical data	Future-oriented and predictive

The Role of Answer Keys in Financial and Managerial Accounting

Answer keys play a vital role in the educational process for both financial and managerial accounting. They provide solutions to problems and exercises that enhance understanding and facilitate learning. Here are some ways answer keys contribute to the learning experience:

Facilitating Learning

1. Immediate Feedback: Answer keys give students the opportunity to check their work against correct solutions, allowing them to identify errors and understand concepts better.
2. Self-Assessment: Students can use answer keys to assess their level of understanding and identify areas that require further study.
3. Study Aid: Answer keys serve as a valuable study resource for exam preparation, helping students

reinforce their knowledge and practice problem-solving skills.

Improving Teaching Effectiveness

1. **Resource for Instructors:** Answer keys provide instructors with a framework for evaluating student performance and guiding classroom discussions.
2. **Curriculum Development:** Instructors can utilize answer keys to design assessments that align with learning objectives and outcomes.
3. **Encouraging Active Learning:** With access to answer keys, students are more likely to engage in active learning, as they can practice problems independently and verify their understanding.

Common Topics Covered in Financial and Managerial Accounting Courses

Financial and managerial accounting courses cover a wide range of topics. Here are some of the most common subjects:

Financial Accounting Topics

1. **Accounting Principles and Concepts:** Understanding the foundational principles of accounting, such as the accounting equation and the matching principle.
2. **Financial Statement Analysis:** Techniques for analyzing financial statements to assess a company's performance, including ratio analysis.
3. **Regulatory Framework:** Familiarity with the regulatory environment, including the role of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB).

Managerial Accounting Topics

1. **Costing Methods:** An exploration of different costing methods, including job order costing, process costing, and activity-based costing.
2. **Budgeting Techniques:** Various budgeting approaches, such as flexible budgets, zero-based budgeting, and rolling forecasts.
3. **Decision-Making Tools:** Techniques for making informed business decisions, including break-even analysis and relevant costing.

Conclusion

In conclusion, understanding the nuances of financial and managerial accounting is essential for anyone involved in the business and finance sectors. The use of **financial and managerial accounting answer keys** provides invaluable support for students and educators alike, enhancing comprehension and facilitating effective learning. As accounting continues to evolve with advancements in technology and regulatory changes, the importance of mastering these concepts will remain paramount for future success in the field. Whether you are a student preparing for exams or a professional seeking to deepen your knowledge, leveraging answer keys can significantly enhance your learning journey.

Frequently Asked Questions

What is the primary purpose of financial accounting?

The primary purpose of financial accounting is to provide financial information about a company to external users, such as investors, creditors, and regulators, to help them make informed decisions.

How does managerial accounting differ from financial accounting?

Managerial accounting focuses on providing information to internal users, such as management, to aid in decision-making, planning, and control, while financial accounting is concerned with reporting to external parties.

What are the main financial statements prepared in financial accounting?

The main financial statements are the balance sheet, income statement, statement of cash flows, and statement of changes in equity.

What role does budgeting play in managerial accounting?

Budgeting in managerial accounting is essential for planning and controlling operations, as it helps set financial targets and allocate resources effectively.

What is the significance of the cost-volume-profit (CVP) analysis in managerial accounting?

CVP analysis helps businesses understand the relationship between costs, sales volume, and profit, which is crucial for decision-making regarding pricing, product mix, and financial forecasting.

What are the ethical considerations in financial and managerial accounting?

Ethical considerations include accuracy in reporting, transparency, adherence to accounting

standards, and avoiding conflicts of interest to maintain the integrity of financial information.

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