



**ACCG200 - FUNDAMENTALS OF  
MANAGEMENT ACCOUNTING**

**UNIT OUTLINE  
SEMESTER ONE, 2004**

**DEPARTMENT OF  
ACCOUNTING AND FINANCE**

**DIVISION OF ECONOMIC AND  
FINANCIAL STUDIES**

# ACCG200 FUNDAMENTALS OF MANAGEMENT ACCOUNTING

## GENERAL COURSE INFORMATION

### INTRODUCTION:

The Fundamentals of Management Accounting is the first of three undergraduate courses in cost and management accounting (the first two of which are necessary for ICAA/ASCPA membership).

This unit focuses on the fundamental objectives of management accounting, being to provide accounting information for planning and control as well as for a variety of decision making purposes. As such, it deals with various costing, budgeting and decision making techniques.

The course is split into three main components:

- (i) The first component covers costing techniques.
- (ii) The second component concentrates on budgeting, both the preparation of budgets and the evaluation of performance against the budget.
- (iii) The third component is concerned with using costs for decision making purposes. Different costs are relevant for different decisions and it is important to be able to discriminate between relevant and irrelevant costs for any given decision.

The course will be taught from a conceptual perspective rather than a merely technical one. While a number of techniques need to be mastered, most organisations tailor a technique to suit their own circumstances. Consequently students must understand when a particular technique is appropriate and also how to adapt and apply it to a given situation.

The course will improve the ability of students to analyse and conceptualise issues. In addition, the requirement for students to complete weekly assignments and to participate in tutorial group work and discussions as well as making class presentations, will facilitate the improvement of their basic writing and communication skills. The ability of students to identify, evaluate, and manage information and to interpret data with a view to making decisions will also be enhanced.

### PREREQUISITES:

ACCG105(P) or ACCG101(P) or ACCG100(P) and ACCG101 or ACCG105 and BBA103 and 30cp.

### REQUIRED TEXTBOOKS:

1) *Management Accounting, An Australian Perspective* by Kim Langfield-Smith, Helen Thorne and Ronald W. Hilton, 3rd Edition, 2003, McGraw-Hill.

Access to this text will be essential for lecture references and for tutorial questions.

2) *Management and Enterprise: A Consulting Exercise, Volume 2* by Alex Malley.

## STAFF:

Lecturer in charge:	Pam Baker E-mail	Room C5C426 <a href="mailto:pbaker@efs.mq.edu.au">pbaker@efs.mq.edu.au</a>	Phone 98508518
Lecturer:	Phil Ross E-mail	Room C5C412 <a href="mailto:pross@efs.mq.edu.au">pross@efs.mq.edu.au</a>	Phone 98508516
Unit administrator:	Venkat Narayanan E-mail	Room C5C416 <a href="mailto:vnarayan@efs.mq.edu.au">vnarayan@efs.mq.edu.au</a>	Phone 98509175
Tutorial Staff:	Kevin Baird E-mail	Room C5C408 <a href="mailto:kbaird@efs.mq.edu.au">kbaird@efs.mq.edu.au</a>	Phone 98508532
	Susan Greer E-mail	Room C5C440 <a href="mailto:sgreer@efs.mq.edu.au">sgreer@efs.mq.edu.au</a>	Phone 98508520

## ENQUIRIES:

The most efficient way to contact staff is via e-mail. Please use this form of contact in the first instance for general course enquiries.

All tutorial enquiries and changes must be made through Venkat Narayanan. It is each student's responsibility to know which tutorial group they have been allocated to. **Students will not be awarded any tutorial marks unless they attend the class in which they are formally enrolled.**

All other general queries regarding the course should be directed to Pam Baker, as well as any information regarding your inability to fulfil any course requirements, which should be made known at the earliest possible opportunity.

## STAFF CONSULTATION:

Staff will be available at designated times to answer student queries concerning tutorial material, revision questions and any other aspects of the course. Details regarding staff consultation hours will be provided on WebCT (see page 6 for access details). **Any students experiencing significant difficulties with any topic in the course should seek help prior to their tutorial.**

## TEACHING FORMAT:

The course is structured around a 2 hour lecture and a 1 hour tutorial per week. Lectures will provide students with the main concepts and techniques while tutorials provide the opportunity to apply the concepts to problems and exercises. Regular class attendance, reading of prescribed references and the completion of tutorial and revision questions are essential for satisfactory progress in this course.

Lecture overheads will be available to download via WebCT. **Any other information regarding the course will also be available from WebCT. Please check regularly.**

## **ASSESSMENT:**

End of semester examination:	65%
Mid-semester test:	10%
Consultation exercise:	15%*
Tutorial mark:	10%**

\*The consultation exercise mark will be broken up into 12% for final submission and 3% for submission in week 7. See page 5 for further details.

\*\*The tutorial assessment mark will be based on performance in the areas outlined on page 6 and performance in two class quizzes to be held during tutorials in Weeks 5 and 11.

The final grade will be determined after consideration of performance in all aspects of the course.

**It is essential for students to perform satisfactorily in their final examination in order to achieve a passing grade.**

## **MID-SEMESTER TEST:**

The mid-semester test will be held on Saturday 8<sup>th</sup> May at 10.00am. It will be a 90 minute multiple choice test and it will cover all material up to, and including the Week 6 lecture (ie Langfield-Smith Chapters 1-8).

Any student who misses this test will receive zero marks unless a legitimate request for special consideration is received on the official form available for this purpose (consult Undergraduate Students Centre for details) with any necessary supporting documentation.

## **FINAL EXAMINATION:**

A 3 hour examination will take place at the conclusion of the course in the mid-year examination period. All material covered in the course will be examinable unless otherwise indicated. Further details will be available via WebCT late in the semester.

The use of a dictionary in the final examination is not permitted.

## **MISADVENTURE /UNAVOIDABLE DISRUPTION RE FINAL EXAM**

Any student who wishes to apply for special consideration regarding their performance in the final examination must arrange for completion of the appropriate documentation, including, where necessary, a Professional Authority Form (copies are available from the Undergraduate Student Enquiry Service or from the University Web site). No consideration will be given to any student who does not provide the necessary documentation as indicated on this form.

Although requests will be considered they are not automatically granted.

Consideration in the final examination will **ONLY** be given to those students who have satisfactory results for their tutorial work, consulting exercise and their mid-semester test.

## CONSULTING EXERCISE:

*Management and Enterprise: A Consulting Exercise* is a compulsory course component. The consulting exercise is to be submitted **to tutors in tutorials in Week 7**, by which time up to, but not including the Client dealings section must be completed to obtain the 3% (no part marks will be awarded). It is each student's responsibility to ensure they have this exercise for submission in class. Any student who is unable to attend their assigned tutorial, including those students who are enrolled in a Monday tutorial, must present the consulting exercise to Pam Baker or Venkat Narayanan during **Week 7**. Students, other than those with a Monday class, must provide documentary evidence supporting their inability to attend their tutorial.

The completed consultation exercise is to be submitted to ERIC (C5C244) by **8pm on Thursday 27<sup>th</sup> May**. Non submission of this exercise may result in a fail grade for the course.

Late consulting exercises will be accepted up until 5pm on Monday 31<sup>st</sup> May but will incur a 2 mark penalty per day. **Late assignments must be submitted to Pam Baker. They must not be left in ERIC.**

Specific enquiries regarding this exercise should be directed to Mr. Alex Malley at [amalley@efs.mq.edu.au](mailto:amalley@efs.mq.edu.au). When contacting Mr. Malley include a phone contact number to enable replies by either e-mail or phone.

### **Requests for exemption:**

Students who have successfully completed this exercise previously (with a mark of at least 11/15) may apply to Venkat Narayanan for an exemption. This request for exemption must be via e-mail stating: Full Name and Student Number and the year and time (ie. Semester 1, Semester 2 or Summer) that the exercise was completed. **Any requests which do not reach Venkat by Friday 26<sup>th</sup> March will not be considered.** Results of these requests will appear on the unit website (refer to page 6 for details).

## TUTORIALS:

### **ATTENDANCE AT TUTORIALS IS COMPULSORY**

**Failure of any student to attend at least 9 of the 12 tutorials (without legitimate reason) will result in the awarding of a Fail grade.**

**Given this requirement, any student who misses a tutorial (and has a legitimate reason) should complete and submit an Advice of Absence form (available from Undergraduate Students Enquiry Service or the University web site) and attach any supporting documentation eg medical certificate.**

Tutorials will be held each week commencing in week 2. The purpose of the tutorials is to reinforce key concepts, and to provide an interactive learning environment in which staff can identify and assist students with problems that they may be encountering. The tutorials are also aimed towards the promotion of peer assisted learning, with students required to complete specific tasks in groups and actively encouraged to assist each other in developing an understanding of the course material.

Students are expected to have read the required readings and completed the set tutorial questions prior to each tutorial (as outlined on pages 9-11). They should be prepared to participate in group discussions concerning the relevant topic area and be able to make reasonable attempts at additional questions during tutorials.

Tutorial assessment marks (10%) will be awarded based on the following criteria:

- The extent to which each student has prepared for each class.
- The quality of the assignments and tutorial work collected. Assigned questions will be collected by tutors each week and graded as **S** – satisfactory or **I** – incomplete.
- The ability of students to complete set tasks during classes.
- The ability of students to actively participate in group discussions.
- The willingness of students to co-operate with, and assist other students in their learning.
- Completion of two class quizzes to be held in tutorials in Weeks 5 and 12. Each of these quizzes will be worth 2% in terms of the overall assessment. The Week 5 quiz will cover lectures 1-3, while the Week 12 quiz will cover lectures 7-10.
- Completion of mid-semester assignment, due for submission in Week 7. Refer to pages 16-17 of course outline for details.

### **WebCT:**

WebCT is a website via which students will be able to gain information and resources to assist them in their learning process. The following information will be available on WebCT.

- Important announcements
- Tutorial class lists
- Staff consultation hours
- Staff contact details
- Tutorial questions, other than those from the prescribed text
- Tutorial and revision question solutions
- Additional tutorial question solutions
- Other relevant material.

You are encouraged to regularly check the website and use it as an information and resource centre to assist with your learning.

### **Accessing WebCT**

Go to <http://www.online.mq.edu.au>, and click on “Login”.

On the next screen enter your username and password.

This takes you to the “My WebCT” page which has a link for ACCG 200. Click on this link to access the ACCG 200 WebCT webpage.

### **Username and Password for WebCT**

The username and password for WebCT is the same username and password for your Macquarie University e-mail account.

If you have previously used WebCT you should use the same username and password.

**If you don't know what your username and password** are then contact the IT helpdesk located on Level 1 of the Library. The phone number for the helpdesk is 9850 6500.

You should also contact the IT helpdesk if you need assistance with using WebCT, alternatively use the help feature provided in WebCT.

**Important**

If you have contacted the helpdesk in regard to you username and password and you are still unable the login to WebCT **then** you should contact Venkat Narayanan at the earliest possible instance.

**Make sure that when you have finished using WebCT that you log out. Failure to do so could allow unauthorised access to your WebCT account.**

**Web MCQ:**

In addition to the questions set from the textbook, access to further revision questions is provided by Web MCQ, a web-based program that enables the establishment of interactive quizzes. A series of multiple choice based tests will be put on this web site during the semester and will allow you to test your understanding of the material covered in the relevant chapters of the textbook.

Instructions for accessing this site are provided below.

- 1) Go to the webMCQ Homepage at [www.webmcq.com.au](http://www.webmcq.com.au) OR click on the webMCQ icon on the ACCG200 WebCT webpage.
- 2) Type in the Account name: MACQ-ACCG200
- 3) Enter the user ID: This is your SURNAME
- 4) Enter the Password: This is your Student ID number (You will be asked to confirm this password when first entering the site)
- 5) Click on main menu
- 6) Choose a topic

## LECTURE OUTLINE

Week	TOPIC	READING
1	(1 <sup>st</sup> March) <b>Introduction and course overview</b>	
	<b>The management accounting environment</b> Role of management accounting; typical functions of a management accounting system; the changing environment of management accounting; professional accounting bodies and professional ethics.	<b>Chapter 1,</b> <b>pp. 3-19&amp;</b> <b>22-24</b>
	<b>Cost concepts</b> Management accounting information; cost classification; value chain; costs in manufacturing and service businesses; product costs.	<b>Chapter 2,</b> <b>pp. 33-58</b>
2	(8 <sup>th</sup> March) <b>Cost behaviour</b> Cost drivers, variable/fixed costs; cost estimation.	<b>Chapter 3,</b> <b>pp. 77-107</b>
	<b>Costing systems</b> Product costing - purpose; allocating overhead	<b>Chapter 4,</b> <b>pp. 133-43 costs.</b>
3	(15 <sup>th</sup> March) <b>Costing systems continued</b> Types of product costing systems: - job costing and process costing.	<b>Chapter 4,</b> <b>pp. 144-69</b> <b>&amp; p.171</b>
4	(22 <sup>nd</sup> March) <b>Costing systems continued</b> Process costing continued – weighted average method; operation costing.	<b>Chapter 5,</b> <b>pp.194-</b> <b>201 &amp;</b> <b>210-221</b>
	<b>Service department costing</b> Cost classification and cost flows.	<b>Chapter 6,</b> <b>pp. 247-80</b>
5	(29 <sup>th</sup> March) <b>Overhead costs</b> Allocating overhead costs, allocating support department costs.	<b>Chapter 7,</b> <b>pp. 299-</b> <b>332</b>
6	(5 <sup>th</sup> April) <b>Activity based costing</b>	<b>Chapter 8,</b> <b>pp. 357-96</b>

**MID-SEMESTER BREAK**



- 7 (26<sup>th</sup> April) **Budgeting:** Chapter 9,  
Purposes of budgeting; budget pp. 421-54  
development; behavioural consequences.
- 8 (3<sup>rd</sup> May) **Standard costing for control:** Chapter 10,  
Standard setting; direct materials and direct pp. 483-511  
labour variances; investigation of variances.

**Mid-Semester Test:** Saturday 8<sup>th</sup> May 10.00am

- 9 (10<sup>th</sup> May) **Standard costing for control:** Chapter 11,  
Flexible budgets; fixed and variable overhead pp. 533-559  
variances; appraisal of standard costing systems;  
activity based budgeting
- 10 (17<sup>th</sup> May) **Cost volume profit analysis** Chapter 17,  
Breakeven point, target net profit, pp. 823-51  
management decision making;  
multiple products and tax effects.
- 11 (24<sup>th</sup> May) **Decision making** Chapter 18,  
Short versus long term; relevant costs; pp. 877-909  
allocating joint production costs.
- 12 (31<sup>st</sup> May) **Decision making continued** Chapter 19,  
Pricing and product mix decisions. pp. 929-33  
& 936-59
- 13 (7<sup>th</sup> June) **REVISION**

## TUTORIAL QUESTIONS

Tutorial questions are from the set text (Langfield-Smith, 3<sup>rd</sup> edition) or are available via WebCT, which should be checked every week before the tutorial session.

**Tutorial questions, listed below, are to be completed before class and should be prepared in a suitable form for collection by your tutor.** Satisfactory completion of these questions will impact on your tutorial assessment mark. **The revision questions should be attempted as soon as possible after the tutorial.**

Detailed solutions of the tutorial questions, the revision questions, and any additional tutorial questions will be available on WebCT at the end of each week. Any student encountering difficulties in understanding concepts or the solutions provided should see a staff member in their consultation hours as soon as possible.

### Week 2 Tutorial                      Week commencing 8<sup>th</sup> March

Tutorial questions:                      No questions must be completed prior to the tutorial this week. However, you should have read Chapters 1 and 2 of the text.

Revision questions:                      2.4, 2.12, 2.15, 2.16, 2.24, 2.25, 2.27, 2.29,  
2.42

### Week 3 Tutorial                      Week commencing 15<sup>th</sup> March

Tutorial questions for submission:                      3.7, 3.9, 4.27

Revision questions:                      3.2, 3.3, 3.14, 3.17, 3.28, 3.31, 3.33, 4.4, 4.6,  
4.28, 4.29

### Week 4 Tutorial                      Week commencing 22<sup>nd</sup> March

Tutorial questions for submission:                      4.7, 4.16, 4.43

Revision questions:                      4.8, 4.12, 4.13, 4.36, 4.37, 4.38,

**Week 5 Tutorial**

Week commencing 29<sup>th</sup> March

Quiz 1 (covers material from lectures 1-3)

Tutorial questions for submission: 5.14, 5.35

Revision questions: 4.45, 5.3, 5.15, 5.20, 5.25(part 1), 5.27, 5.38, 5.44

**Week 6 Tutorial**

Week commencing 5<sup>th</sup> April

Tutorial questions for submission: 6.44

Revision questions 6.5, 6.6, 6.11, 6.13, 6.24, 6.28, 6.31, 6.33, 6.34, 6.39

**Week 7 Tutorial**

Week commencing 26<sup>th</sup> April

Hand in consulting exercise in tutorial (refer to page 5).  
Hand in mid-semester assignment in tutorial (refer to page 16).

Tutorial questions for submission: 7.6, 7.34, 7.35, 7.36

Revision questions: 7.2, 7.7, 7.12, 7.17, 7.26, 7.27, 7.41, 7.46

**Week 8 Tutorial**

Week commencing 3<sup>rd</sup> May

Tutorial questions for submission: 8.17, 8.18, 8.27

Revision questions: 7.42, 8.4, 8.7, 8.22, 8.25, 8.32, 8.34, 8.43

**Mid-Semester Test:**

Saturday 8<sup>th</sup> May 10.00am

**Week 9 Tutorial**      Week commencing 10<sup>th</sup> May

Tutorial questions for submission:      9.15, 9.18, 9.36

Revision questions:      9.10, 9.16, 9.17, 9.22, 9.30, 9.40

**Week 10 Tutorial**      Week commencing 17<sup>th</sup> May

Tutorial questions for submission:      10.19, 10.33, 11.15, 11.36 (part 1)

Revision questions:      10.18, 10.24 (part 1), 10.26, 10.27, 10.28,  
10.45, 11.9, 11.19, 11.22, 11.24, 11.26, 11.27,  
11.37

**Week 11 Tutorial**      Week commencing 24<sup>th</sup> May

Tutorial questions for submission:      17.7, 17.25, 17.29

Revision questions:      17.9, 17.16, 17.30, 17.36, 17.37

Consulting Exercise is to be handed in to ERIC by 8pm Thursday 27<sup>th</sup> May.

**Week 12 Tutorial**      Week commencing 31<sup>st</sup> May

Quiz 2 (covers material from lectures 9-11 and 17)

Tutorial questions for submission:      18.9, 18.29, 18.44

Revision questions:      18.7, 18.12, 18.15, 18.17, 18.27, 18.32, 18.33,  
18.42, 18.43,

**Week 13 Tutorial**      Week commencing 7<sup>th</sup> June

Tutorial questions:      19.2, 19.18, 19.40

Revision questions:      19.5, 19.11, 19.23, 19.32, 19.44, 19.47

**CPA Australia Policy on Conceded Passes:**

The number of acceptable conceded/terminal passes in a three year Bachelor degree be restricted to three. Further, no more than one conceded/terminal pass is acceptable for subjects in the core curriculum, in accounting and business related areas, unless a more advanced subject in the areas is passed.

**Information for transfer students:**

Students transferring to Macquarie University who wish to have qualifications obtained at other tertiary institutions considered for accreditation by the professional accounting bodies (CPA Australia and ICAA) are reminded that it is the student's responsibility to ensure that these qualifications are accepted by the professional bodies.

**CHEATING:**

Attached is a document, which clearly sets out what the University regards as cheating, ways to avoid cheating and the potential consequences for any student caught cheating. Please read this document carefully before completing any work for the course.

# THE DANGERS OF CHEATING AND PLAGIARISM AND HOW TO AVOID IT

To cheat in the context of university assignments, tests and examinations is to attempt to gain an unfair advantage by violating the principles of intellectual and scholarly integrity. Cheating also encompasses plagiarism, which is the appropriation or imitation of another person's ideas and manner of expressing them.

## WHAT IS CHEATING?

You will be guilty of cheating if you do any of the following:

1. Copy from another student during a test or examination. This is cheating whether or not there is collusion between the students involved. Collusion with another student who wishes to cheat from you exposes both parties to penalties under University Regulations.
2. Use or paraphrase the work of others, including any document, audio-visual or computer-based material, when preparing an assignment or writing an examination, and pretend it is your own work by not acknowledging where it came from.
3. Copy from another student's coursework whether that copying be with or without the knowledge of that student. This includes:
  - copying all or part of someone else's assignment
  - allowing someone else to copy all or part of your assignment
  - having someone else do all or part of an assignment for you
  - doing all or part of someone else's assignment for them.
4. Make up data and fabricate results in research assignments.
5. Impersonate someone else in an examination or test, or arrange such impersonation.
6. Use forbidden material in a test or examination, whether in printed or electronic form. For example, attempting to use a non-standard calculator in a restricted calculator examination.

## WHY IS IT WRONG?

If you take and use the work of another person without clearly stating or acknowledging your source, you are falsely claiming that material as your own work and committing an act of plagiarism. This is wrong because:

- it violates the principle of intellectual and scholarly integrity.
- it devalues the grades and qualifications gained legitimately by other students.

## PREVENTING CHEATING

All students and staff have a responsibility to prevent, discourage and report cheating.

Typically students cheat because they are having difficulty with the unit content, the language of the unit, or both. Cheating and/or plagiarism can be a temptation when students are experiencing difficulty with a heavy workload in the unit and seek to save time by using others work.

To avoid having students resort to cheating, the University provides many services to help students with their course or to make thoughtful decisions about whether to continue. Within the Division of Economic and Financial Studies, students should first seek assistance from their tutor and/or lecturer. The University also offers help through the

Dean of Students or the University Health and Counselling Services.

There is a difference between getting help and cheating. You are encouraged to get help if you need assistance to understand the material and any set work so that you are in a better position to create your own answers.

### **HOW TO PLAY SAFE**

To maintain good academic practice, so that you may be given credit for your own efforts, and so that your own contribution can be properly appreciated and evaluated, you should acknowledge your sources and you should *ALWAYS*:

- (i) State clearly in the appropriate form where you found the material on which you have based your work, using the system of reference specified by the Division in which your assignment was set;
- (ii) Acknowledge the people whose concepts, experiments or results you have extracted, developed or summarised, even if you put these ideas into your own words;
- (iii) Avoid excessive copying of passages by another author, even where the source is acknowledged. Find another form of words to show that you have thought about the material and understood it, but remember to state clearly where you found the ideas.

There is nothing wrong with working with other students in a group; indeed sometimes you will be encouraged to do so. But after a certain point, each student must work on their own to produce their own written answers. If no specific guidelines for group-work have been given, a reasonable interpretation is that it is acceptable for two or more students to discuss a problem among themselves or with a staff member. The group may then agree that the answer should include certain points. But then each member of the group must independently write their own answer to the problem.

### **PENALTIES**

Students who are guilty of cheating and plagiarism will be penalised. Depending on the nature of the offence, the unit coordinator will determine the penalty. For example, extensive plagiarism may result in zero marks for an assignment. Repeat offences will be referred to the University Discipline Committee and may result in failure or exclusion from the university.

(This material has been compiled from the existing plagiarism documents of Macquarie University and University of Auckland.)

## Mid-Semester Assignment

### INSTRUCTIONS:

- Assignment is to be **neatly handwritten** on A4 paper, single sided only
- Include on front page full name, student number, tutor's name and tutorial time.
- Hand completed assignment to tutor **in tutorial class** in week 7. Students with a Monday tutorial may hand their assignment to Pam Baker, Phil Ross or Venkat Narayanan by Thursday 29<sup>th</sup> April.
- In case of illness or misadventure late assignments may be submitted to Pam Baker with attached supporting documentation.

**TOPIC:**                    Variable and Absorption Costing

### REFERENCES:

Langfield-Smith et al, Chapter 7, pp. 333-339

*Managerial Accounting*, Ronald W. Hilton, 5<sup>th</sup> Edition, pp. 812-816

*Management Accounting*, Hansen and Mowen, 6<sup>th</sup> Edition, pp. 614- 620

(The latter 2 references will be available in ERIC and in the library special reserve.)

1. When will profits reported under variable and absorption costing differ? How can we reconcile the profits reported under the two approaches?
2. Would you recommend variable or absorption costing as a source of information for managers? Explain your answer.
- 3.

Valyn Corporation manufactures rechargeable flashlights in Melbourne, Australia. The firm uses a standard absorption costing system for internal reporting purposes; however, the company is considering using variable costing. Data regarding Valyn's planned and actual operations for 19x9 follow:

	Planned Activity	Actual Activity
Beginning finished-goods inventory in units	35,000	35,000
Sales in units	140,000	125,000
Production in	140,000	130,000

	<b>Budgeted Costs</b>		<b>Actual</b>
	Per Unit	Total	
Direct material	\$12.00	\$1,680,000	\$1,560,000
Direct labour	9.00	1,260,000	1,170,000
Variable manufacturing overhead	4.00	560,000	520,000
Fixed manufacturing overhead	5.00	700,000	715,000
Variable selling expenses	8.00	1,120,000	1,000,000
Fixed selling expenses	7.00	980,000	980,000
Variable administrative expenses	2.00	280,000	250,000
Fixed administrative expenses	3.00	420,000	420,000
Total	\$50.00	\$7,000,000	\$6,615,000



The budgeted per-unit cost figures were based on Valyn producing and selling 140,000 units in 19x9. Valyn uses a predetermined overhead rate for applying manufacturing overhead to its product. A total manufacturing overhead rate of \$9.00 per unit was employed for absorption costing purposes in 19x9. Any overapplied or underapplied manufacturing overhead is closed to the Cost of Goods Sold account at the end of the year. The 19x9 beginning finished-goods inventory for absorption costing purposes was valued at the 19x8 budgeted unit manufacturing cost, which was the same as the 19x9 budgeted unit manufacturing cost. There are no work-in-process inventories at either the beginning or the end of the year. The planned and actual unit selling price for 19x9 was \$70 per unit.

- a) Prepare a profit report for 19x9 using absorption costing.
- b) Prepare a profit report for 19x9 using variable costing.
- c) Reconcile the profit reported under the two methods.