Andreas Taschner and Michel Charifzadeh

## Management and Cost Accounting

**Tools and Concepts in a Central European Context** 

WILEY-VCH

WILEY-VCH Verlag GmbH & Co. KGaA

## Contents

	APTER 1 Introduction to Management Accounting and st Accounting
The	Purpose of Accounting
	Information Needs in Business
	Different Sources of Information for Businesses
	A Definition of Accounting
The	Job of an Accounting System
The	"Accounting Family"
	Financial Accounting
	Cost and Management Accounting
ls A	ccounting a Universal Language?
	Differences in Financial Accounting
	Differences in Cost and Management Accounting
	National Differences in Management Accounting - Problem or Strength?
	German "Controllers" versus "Management Accountants"
The	Role of a Controller in a Business Organization
Eth	ical Aspects of Accounting
	APTER 2 Cost Terms and Cost Concepts
сн	
CH The	Meaning of "Cost" in Business
CH The	Peaning of "Cost" in Business nparing Cost with Other Accounting Measures
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures Company Goals as Starting Point of Accounting Measures
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures Company Goals as Starting Point of Accounting Measures Different Accounting Measures for Different Purposes
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures Company Goals as Starting Point of Accounting Measures Different Accounting Measures for Different Purposes Receipts and Payments: Changes in a Company's Cash Position
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures Company Goals as Starting Point of Accounting Measures Different Accounting Measures for Different Purposes Receipts and Payments: Changes in a Company's Cash Position Proceeds and Expenditures: Changes in a Company's Monetary Assets
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures Company Goals as Starting Point of Accounting Measures Different Accounting Measures for Different Purposes Receipts and Payments: Changes in a Company's Cash Position Proceeds and Expenditures: Changes in a Company's Monetary Assets Income and Expenses: Changes in a Company's Total Assets
CH The	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures
CH The Cor	APTER 2 Cost Terms and Cost Concepts Meaning of "Cost" in Business
CH The Cor	Meaning of "Cost" in Business nparing Cost with Other Accounting Measures

Cost Concepts for Comparing Cost	43
Cost Concepts for Differentiating Time Reference	44
Cost Concepts for Decision making	46
Cost Concepts for Assigning Cost to Different Objects	48
Cost Concepts for Analyzing Cash Relevance	50
Cost Concepts for Preparing Financial Statements	52
Relevance of Cost Categories for Business Management	53
CHAPTER 3 Cost Behavior and Cost Estimation	61
Things to Know About Cost Behavior	62
No Costs without Cost Drivers!	63
Typical Shapes of Cost Functions	64
Cost Stickiness and Cost Elasticity	67
Mathematical Models of Cost Behavior: Cost Functions	69
Methods for Estimating Cost	72
Heuristics	72
Conference Method	73
Account Analysis Method	73
Scatterplots and Visual Fit Method	74
High-low Method	75
Regression Analysis	76
Engineering Method (Physical Measurement)	78
Comparison of Methods and Examples	79
CHAPTER 4 The Basic Structure of a Cost Accounting	
System	
Cost Accounting as Information Source in Business	90
Defining the Conceptual Framework for a Cost Accounting System	
Defining Relevant Cost Objects	93

Deming Relevant Cost Objects	73
The Minimum Set-Up	93
The Advanced Set-Up	95
Defining Principles for Recording and Allocating Cost	96
Comparing Cost Allocation Principles	101
Comparison	105
Defining Time Reference and Cost Accounting Periods	106
General Cost Accounting Principles	109
The Basic Layout of a Cost Accounting System	
IT as an Enabler of Cost Accounting Systems	113

CHAPTER 5 Cost Type Accounting	117
Purpose and Nature of Cost Type Accounting	118
Cost Categorizations Used in Cost Type Accounting	119
Cost Categorization Chart and Chart of Accounts	119
How to Value Resource Consumption	122
Main Cost Types in Detail	123
Cost of Material	124
Cost of Labor	128
Asset-related Cost	129
Cost of Financing / Cost of Capital	130
Third Party Cost	130
Taxes and Public Fees	131
Imputed Cost	<b>1</b> 32
Imputed Depreciation	133
Imputed Interest	138
Imputed Risk Charges	142
Imputed Management Salaries	
Imputed Rent	145

CHAPTER 6 Cost Center Accounting	151
Purpose and Nature of Cost Center Accounting	152
Splitting the Organization into Cost Centers	154
Number of Cost Centers in Practice	155
Primary Cost Allocation	157
The Cost Allocation Chart	15 <b>9</b>
Overview Cost Allocation Chart for Comparing Multiple Cost Centers	160
Detailed Cost Allocation Chart for Managing Sub-unit Cost	160
Determining the Allocation Base for Overhead Costs	161
Determining Overhead Allocation Rates	165
Internal Support Department Cost Allocation	165
Cost Allocation Problems in Internal Support Departments	166
Combining Support Cost Allocation Principles – An Example	168
Allocating Costs of Multiple Support Departments	171
Direct Method	175
Step-Down Method	
Reciprocal Method	180
Iterative Method	182
Does Support Department Cost Allocation Really Matter?	184

All CONGUE	viii	Contents
------------	------	----------

CHAPTER 7 Cost Unit Accounting (Product Costing)	
Purpose of Product Costing	192
Overview of Product Costing Methods	194
Process Costing	<b>19</b> 5
Single-Stage Process Costing	196
Two-Stage Process Costing	196
Multi-Stage Process Costing	197
Equivalence Coefficient Costing	199
Multi-Stage Equivalence Coefficient Costing	202
Job Order Costing	
Simple Job Order Costing	204
Extended Job Order Costing	206
Department-based Costing	209
Machine Hour-Based Costing	
Joint Product Costing	
CHAPTER 8 Absorption Costing versus Variable Costing	221
Accounting for Profits	
Absorption Costing	223
Absorption Costing Example	224
Strengths of Absorption Costing	226
Weaknesses of Absorption Costing	227
Variable Costing	
Multi-Step Variable Costing	231
Variable Costing Example	
Decision making with Variable Costing	235
Product Portfolio Decisions	
Product Mix Decisions	237
Product Mix Decisions under Capacity Constraints	
Special Orders	240
Outsourcing Decisions	242
Outsourcing Decisions and Opportunity Costs	245
Qualitative Factors Influencing Outsourcing Decisions	
Cost-Volume-Profit Decisions	249
Break-Even Analysis	249
Graph Method for Break-Even Analysis	252
Target Operating Income	253
Sensitivity Analysis for Cost-Volume-Profit Decisions	254
Assumptions in Cost-Volume-Profit Analysis	

	Strengths of Variable Costing	257
	Weaknesses of Variable Costing	257
	CHAPTER 9 Cost Planning, Standard Costing and Variance Analysis	
	The Importance of Cost Planning	
	Conceptual Approaches to Cost Planning	
	Static Cost Planning	
	Flexible Cost Planning	
	Flexible Cost Planning Based on Full Absorption Cost	
	Flexible Cost Planning Based on Variable Cost	273
	Standard Costs as Basis for Cost Planning and Cost Management	
	Variance Analysis for Cost Management	275
	Types of Cost Variances	277
	The Problem of Overlapping Sub-variances	279
	Approaches to Dealing With Overlapping Cost Variances	
	Alternative Method	
	Proportional Method	286
	Cumulative Method	
	Differential-Cumulative Method	292
Bił	bliography	

.....

. .

ŝ