



This course supports the assessment for Advanced Managerial Accounting. The course covers 8 competencies and represents 3 competency units.

Introduction

Overview

This course introduces the complexity and functionality of managerial accounting systems within an organization. It covers the topics of product costing (including activity-based costing), decision making (including capital budgeting), profitability analysis, budgeting, performance evaluation, and reporting related to managerial decision making. This course provides the opportunity for a detailed study of how managerial accounting information supports the operational and strategic needs of an organization and how managers use accounting information for decision making, planning, and controlling activities within organizations.

Getting Started

Welcome to Advanced Managerial Accounting! In this course, you will study 10 topics. Within each topic, you will be asked to read text, complete the LearnSmart practice activity, view and practice in the chapter interactive video, and complete the chapter homework and quiz. Some chapters also link to Wiley CPAexcel video resources. In addition you will have the opportunity to attend the webinar sessions focused on the content you will study in the course. To help you track your progress in the course, view the Topics and Pacing guide located in the Preparing for Success section. Competency will be demonstrated by the successful completion of an objective assessment.

Competencies

This course provides guidance to help you demonstrate the following 8 competencies:

- **Competency 3034.2.1: Product Costing**
The graduate analyzes product cost data using both job-order and process costing systems.
- **Competency 3034.2.2: Activity-Based Costing (ABC)**
The graduate identifies situations in which the use of activity-based costing (ABC) yields the best data for the allocation of overhead costs.
- **Competency 3034.2.3: Variable and Absorption Costing**
The graduate prepares variable and absorption costing income statements and reconciles the differences between the two income statements.
- **Competency 3034.2.4: Cost-Volume-Profit Analysis**
The graduate uses the concept of fixed and variable costs to analyze cost data in order to make strategic business decisions.
- **Competency 3034.2.5: Differential Analysis**
The graduate uses the concept of relevant and irrelevant costs to make strategic business decisions.



- **Competency 3034.2.6: Capital Budgeting**
The graduate uses various time value of money techniques including discounted cash flows and the Internal Rate of Return to make long-term strategic business decisions.
- **Competency 3034.2.7: Budgeting**
The graduate uses the master budget, financial budgets, and operational budgets in planning, controlling, and evaluating operations in the short term.
- **Competency 3034.2.8: Variance Analysis**
The graduate uses revenue and cost variances in evaluating operating performance.

Course Instructor Assistance

As you prepare to demonstrate competency in this subject, remember that course instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies and troubleshoot areas of deficiency. Even if things don't work out on your first try, course instructors act as a support system to help you prepare for another attempt. You should expect to work with course instructors for the duration of your coursework, and you are encouraged to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources

The learning resources listed in this section are required to complete the activities in this course. For many resources, WGU has provided automatic access through the course. However, you may need to enroll manually or acquire other resources independently. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

You can access the learning resources listed in this section by clicking on the links provided throughout the course. You may be prompted to log in to the WGU student portal to access the resources.

Wiley CPAexcel

Wiley CPAexcel is a series of video resources designed to align with the course topics. You will be directly linked to the video content upon clicking the links provided.



McGraw-Hill Connect

McGraw-Hill Connect is a web-based assignment platform that allows you to evaluate your knowledge of the subject matter through completing LearnSmart activities, reading the online textbook, watching chapter videos, completing homework assignments, and taking end-of-chapter quizzes. You must click on the chapter and the appropriate links to perform each task.

To become familiar with using McGraw-Hill Connect and LearnSmart, please view the following video:

- [McGraw-Hill Connect Introduction Video](#)

Note: The course depicted in the video is not Advanced Managerial Accounting, but will introduce you to the navigation and resources in Connect and LearnSmart.

Textbooks

- Garrison, R., Noreen, E., & Brewer, P. (2015). *Managerial accounting*, 15e. New York: McGraw-Hill Education. Print ISBN 978-0-07-802563-1
- Noreen, E., Brewer, P., & Garrison, R. (2014). *Managerial accounting for managers with Connect*, 3e. New York: McGraw-Hill/Irwin. Print ISBN: 978-0-07-0802542-6

Managerial Accounting for Managers is the main text for this course and the majority of the information for this course will be presented from this textbook. Two chapters from *Managerial Accounting* have been integrated into the Noreen *Managerial Accounting for Managers* text. The two chapters are listed as Chapters 13 and 14 in the e-text within the Connect course. Guided Example Videos have been added to the learning resource that guide you through exercises related to the content of each chapter. To access these videos, click on the group folder related to the chapter content which are below the folder titled "Guided Example Videos Below" and select the guided example(s) within that folder.

Additional Preparations

Narrated Slides and Web Browsers

The vendor who created the narrated PPTs has found that there is an issue with the narrated slide audio within specific web browsers.

Chrome: The Chrome web browser's latest update is causing the audio portion to malfunction. If you are using a Chrome version older than version 35, the audio will work. The vendor who created the slides is working on fixing this issue with Chrome.

Firefox: The audio has at times stopped working in Firefox as well. If you are using Firefox version 31 and still having problems, the best suggestion is to have you clear your cache and cookies and that should resolve the problem.

IE: The audio in the narrated slides works in Internet Explorer.



Minimum Technical Requirements

Obtain a Calculator

You will need a financial calculator for computational problems throughout this course. The recommended financial calculator is the Texas Instruments BA-II Plus. You may only use an approved calculator during the objective assessment for this course.

Review

Before working on the activities in the topics for this course, review Chapters 1 ("Managerial Accounting: An Overview") and 2 ("Managerial Accounting and Cost Concepts") of [*Managerial Accounting for Managers*](#) to refresh your memory of basic cost accounting, including the following concepts:

- how managerial accounting affects business
- skills managerial accountants need
- manufacturing versus nonmanufacturing costs
- product costs versus period costs
- variable versus fixed costs
- traditional and contribution format income statements
- direct versus indirect costs
- differential costs and revenues versus opportunity costs versus sunk costs

Topics and Pacing

As you complete this course, you can refer to the Topics and Pacing guide to help you plan your studies. The guide outlines important activities in the course and suggests a weekly structure to pace your completion of learning activities. It is provided as a suggestion and does not represent a mandatory schedule.

Week 1:

- Preparing for Success
- Job-Order Costing

Week 2:

- Process Costing
- Activity-Based Costing

Week 3:

- Variable and Absorption Costing
- Cost-Volume-Profit Analysis

Week 4:



- Differential Analysis
- Capital Budgeting

Week 5:

- Static Budgeting

Week 6:

- Flexible Budgeting

Week 7:

- Standard Costing and Variances

Week 8:

- Final Steps-Objective Assessment

Advanced Managerial Accounting

Management accountants benefit the organization by using their knowledge and skills to influence decisions that create value for the organization. Creating value for the organization is done through the use of cost accounting where data is collected, analyzed, summarized, and evaluated to determine the most appropriate course of action. In particular, the cost of a product is determined through several methods which include job-order, activity-based, variable, and process costing. Managers use this knowledge to make decisions regarding current organizational operations and plan for the future.

Job-Order Costing

Job-order costing is a method for assigning the manufacturing costs of direct labor, direct material, and overhead to an individual product or batches of products. Such a costing structure is used in both manufacturing and service companies that produce many different products that are unique in nature. Using this method is important as it affects the selling price and profitability of the product.

This topic addresses the following competency:

- **Competency 3034.2.1: Product Costing**
The graduate analyzes product cost data using both job-order and process costing systems.

This topic highlights the following objectives:

- Describe when it is appropriate to use job-order costing.
- Calculate the predetermined overhead rate.



- Discuss the implications of different predetermined overhead rates.
- Calculate the total cost of a job in a given situation.
- Calculate the per-unit cost of a job in a given situation.
- Calculate under-applied or over-applied overhead.
- Analyze the impact of under-applied or over-applied overhead.
- Prepare the journal entry for over-applied or under-applied overhead.
- Prepare a statement of cost of goods manufactured.
- Prepare a statement of cost of goods sold.

Read: Chapter 13 ("Job-Order Costing")

Chapter 13 and the included activities in Connect cover job-order costing, when it is appropriate to use, how to determine the amount of overhead to apply to each job, and how to determine the total cost of the job.

As you complete the listed material below, pay attention to the following key points:

- when it is appropriate to use job-order costing
- the flow of costs
- calculation of predetermine overhead rate
- applying overhead to a job
- calculating and recording under- or over-applied overhead
- direct and indirect method of determining cost of goods sold

View the following video:

- [Job Costing](#) (19:10)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 13 ("Job-Order Costing") LearnSmart Practice.
- Read Chapter 13 ("Job-Order Costing").
- View and complete Job-Order Costing Interactive Video.
- Complete Chapter 13 homework assignment ("Job-Order Costing").
- Complete Chapter 13 quiz ("Job-order costing").

Process Costing

Process costing is another product costing method which assigns manufacturing costs of direct labor, direct material, and overhead costs to a product. In contrast to job-order costing, process costing is most commonly used in industries that convert raw materials into homogeneous products.

This topic addresses the following competency:



- **Competency 3034.2.1: Product Costing**

The graduate analyzes product cost data using both job-order and process costing systems.

This topic highlights the following objectives:

- Identify situations when it would be appropriate to use process costing.
- Calculate the number of equivalent units using the weighted average method.
- Calculate the number of equivalent units using the first-in, first-out (FIFO) method.
- Calculate the cost per equivalent unit using the weighted average method.
- Calculate the cost per equivalent unit using the FIFO method.
- Calculate the total cost of ending work in progress and goods transferred out using the weighted average method.
- Calculate the total cost of ending work in progress and goods transferred out using the FIFO method.
- Prepare a correct cost reconciliation report.

Read: Chapter 14 ("Process Costing")

Chapter 14 of *Managerial Accounting* and the included interactive videos in Connect introduce the processing costing method, what types of industries or products use it, and how to calculate the cost per unit under this method.

As you complete the listed material below, pay attention to the following key points:

- types of industries and products that use process costing
- calculation of equivalent units under both FIFO and Weighted Average
- calculation of cost per equivalent units under both FIFO and Weighted Average
- calculation of the value of units completed and in ending inventory for FIFO and Weighted Average

View the following video:

- [Process Costing](#) (9:25)

Read and complete the following activities in [Managerial Accounting for Managers](#):

- Complete Chapter 14 ("Process Costing") LearnSmart Practice.
- Read Chapter 14 ("Process Costing").
- Review Appendix A and complete Appendix A Exercises and Problem.
- View and complete Process Costing Interactive Video.
- Complete Chapter 14 homework assignment ("Process Costing").
- Complete Chapter 14 quiz ("Process Costing").

Activity-Based Costing



Activity-based costing provides managers with detailed overhead cost information for products to make strategic decisions, and allows managers to manage and control overhead, while supplementing job-order or process costing systems.

This topic addresses the following competency:

- **Competency 3034.2.2: Activity-Based Costing (ABC)**
The graduate identifies situations in which the use of activity-based costing (ABC) yields the best data for the allocation of overhead costs.

This topic highlights the following objectives:

- Describe the difference between traditional costing systems and activity-based costing (ABC).
- Determine appropriate pools and cost drivers.
- Calculate activity rates per pool.
- Calculate the total overhead cost applied to a job.
- Calculate product or customer profit margins using activity-based costing.
- Analyze product or customer profit margins using activity-based costing.

Read: Chapter 6 ("Activity-Based Costing: A Tool to Aid Decision Making")

Chapter 6 and the included activities introduce activity-based costing, how it is used, and how to determine the amount of overhead to apply to each product or job.

As you complete the listed material below, pay attention to the following key points:

- how activity-based costing differs from traditional costing
- how to assign cost to cost pools using first stage allocation
- computation of activity rates for each cost pool
- assigning of cost to a cost object
- computation of product and customer margins

View the following video:

- [Activity-Based Costing and Process Management](#) (14:52)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 6 ("Activity-Based Costing: A Tool to Aid Decision Making") LearnSmart Practice.
- Read Chapter 6 ("Activity-Based Costing: A Tool to Aid Decision Making").
- View and complete Activity-Based Costing Interactive Video.
- Complete Chapter 6 homework assignment.
- Complete Chapter 6 quiz ("Activity-Based Costing: A Tool to Aid Decision Making").



For further clarification on activity-based costing, view the supplemental narrated slides.

Variable and Absorption Costing

Variable costing is an inventory costing method that companies use for performance evaluation and internal decision making. A variable costing income statement arranges costs by its behavior of fixed or variable costs and can be used to determine the impact of decision making on bottom line profits. A variable costing income statement is not in conformance with GAAP which requires the use of absorption costing for external reporting. Absorption costing treats all manufacturing costs, whether fixed or variable, as product costs.

This topic addresses the following competency:

- **Competency 3034.2.3: Variable and Absorption Costing**
The graduate prepares variable and absorption costing income statements and reconciles the differences between the two income statements.

This topic highlights the following objectives:

- Identify the strengths and limitations of variable costing.
- Prepare an income statement using absorption costing.
- Prepare an income statement using variable costing.
- Determine the reconciling differences between variable costing net income and absorption costing net income.

Read: Chapter 5 ("Variable Costing and Segment Reporting: Tools for Management")

Chapter 5 and the activities introduce variable costing, how it is used for internal decision making, and when it is appropriate to use.

As you complete the listed material below, pay attention to the following key points:

- difference between variable costing and absorption costing
- strengths and limitations of variable costing
- preparation of income statements under both variable and absorption costing
- reconciliation between variable costing and absorption costing net income

View the following video:

- [Absorption and Direct Cost](#) (11:53)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 5 ("Variable Costing and Segment Reporting: Tools for Management") LearnSmart Practice.



- Read Chapter 5 ("Variable Costing and Segment Reporting").
- View and complete Variable Costing and Segment Reporting Interactive Video.
- Complete Chapter 5 homework assignment ("Variable Costing and Segment Reporting").
- Complete Chapter 5 quiz ("Variable Costing and Segment Reporting").

For further clarification on variable and absorption costing, view the supplemental narrated slides.

Cost-Volume-Profit Analysis

Cost-volume-profit analysis is a vital tool that allows managers to quickly understand the effects of change in selling price, sales volume, variable costs, fixed costs, and product mix on profits. Such analysis helps managers determine what product or services to offer, what price to charge, what marketing strategy to use, and what cost structures to maintain.

This topic addresses the following competency:

- **Competency 3034.2.4: Cost-Volume-Profit Analysis**
The graduate uses the concept of fixed and variable costs to analyze cost data in order to make strategic business decisions.

This topic highlights the following objectives:

- Analyze how changes in activity affect contribution margin.
- Analyze how changes in activity affect net operating income.
- Determine the change in the break-even point units given changes in direct material, direct labor, and overhead.
- Determine the change in the break-even point sales dollars given changes in direct material, direct labor, and overhead.
- Interpret the impact of the margin of safety in a given scenario.
- Identify changes in operating income using the operating leverage.
- Analyze the change in the breakeven point given a shift in sales mix.

Read: Chapter 3 ("Cost-Volume-Profit Relationships")

Chapter 3 and the activities in Connect cover how to use the cost-volume-profit analysis to make decisions, how to calculate and use the margin of safety, and how to operate leverage.

As you complete the listed material below, pay attention to the following key points:

- calculation of contribution margin per unit
- preparation and interpretation of a cost-volume-profit graph
- how to use contribution margin ratio to determine impact of profits due to change in volume
- determining level of sales in units and dollars needed to break even
- determining level of sales in units and dollars need to achieve a desired target profit
- computation of margin of safety and what it means



- computation of the degree of operating leverage and how to use it to predict changes in income
- computation of break-even point for a multiproduct company
- what are the effects of shifts in the sales mix on contribution margin, profits and break-even

View the following video:

- [Cost-Volume-Profit Analysis](#) (20:08)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 3 ("Cost-Volume-Profit Relationships") LearnSmart Practice.
- Read Chapter 3 ("Cost-Volume-Profit Relationships").
- View and complete Cost-Volume-Profit Relationships Interactive Video.
- Complete Chapter 3 homework assignment ("Cost-Volume-Profit Relationships").
- Complete Chapter 3 quiz ("Cost-Volume-Profit Relationships").

For further clarification on cost-volume-profit relationships, view the supplemental narrated slides.

Differential Analysis

Differential analysis is a decision-making technique that identifies the relevant costs and benefits that differ between alternatives that are relevant for a decision. Managers use this analysis to make decisions on whether to make or buy components, accept a special order, determine if a product line or other business segment should be added or dropped, determine the most profitable use of a constrained resource, and whether a product should be processed beyond the split-off point.

This topic addresses the following competency:

- **Competency 3034.2.5: Differential Analysis**
The graduate uses the concept of relevant and irrelevant costs to make strategic business decisions.

This topic highlights the following objectives:

- Identify relevant and irrelevant costs and benefits.
- Recommend whether to continue or discontinue a product or business segment.
- Recommend a decision to produce internally or outsource a product.
- Recommend whether to accept a special order or not.
- Recommend the most profitable use of a scarce resource.
- Recommend the value of obtaining more of a scarce resource.

Recommend whether it is more profitable to sell at a split-off point or to process further.

Read: Chapter 7 ("Differential Analysis: The Key to Decision Making")



Chapter 7 and the activities in Connect cover relevant costs and revenues and how they are used in short-term decision making.

As you complete the listed material below, pay attention to the following key points:

- how to identify avoidable and unavoidable costs
- difference between a sunk and opportunity costs
- what are relevant costs and benefits for a particular decision
- determining whether a product line or other business segment should be added or dropped
- determining whether it is profitable to make or buy a component
- determining whether it is profitable to accept a special order
- determining the most profitable use of a constrained resource
- determining whether to sell a product now or process it further

View the following video:

- [Special Decisions](#) (8:53)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 7 ("Differential Analysis: The Key to Decision Making") LearnSmart Practice.
- Read Chapter 7 ("Differential Analysis").
- View and complete Differential Analysis Interactive Video.
- Complete Chapter 7 homework assignment ("Differential Analysis") found in Connect.
- Complete Chapter 7 quiz ("Differential Analysis").

For further clarification on differential analysis, view the supplemental narrated slides.

Capital Budgeting

Capital budgeting involves the analysis of investment decisions that have long-term implications. These decisions typically involve purchasing property, plant, and equipment. Methods used to analyze these decisions include net present value, internal rate of return, payback period, profitability index and simple rate of return.

This topic addresses the following competency:

- **Competency 3034.2.6: Capital Budgeting**
The graduate uses various time value of money techniques including discounted cash flows and the Internal Rate of Return to make long-term strategic business decisions.

This topic highlights the following objectives:

- Calculate net present value (NPV).
- Analyze a decision using the net present value method.



- Calculate the internal rate of return (IRR).
- Analyze the internal rate of return for a given project.
- Determine when it would be appropriate to use NPV versus IRR.
- Explain the impact of uncertain cash flows on net present value.
- Rank investments using the profitability index.
- Determine a capital budgeting decision using the payback period.
- Calculate the simple rate of return of an investment.

Read: Chapter 8 ("Capital Budgeting Decisions")

Chapter 8 and the activities in Connect will help you to learn the various techniques used to evaluate long-term capital budgeting decision.

As you complete the listed material below, pay attention to the following key points:

- time value of money
- how to calculate net present value and interpret the results
- how to calculate internal rate of return and interprets the results
- how to calculate the profitability index and interpret the results
- how to calculate the payback period and interpret the results
- how to calculate the simple rate of return and interpret the results
- the advantages and disadvantages of the different methods

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 8 ("Capital Budgeting Decisions") LearnSmart Practice.
- Read Chapter 8 ("Capital Budgeting Decisions").
- Read all Chapter 8 appendices.
- View and complete Capital Budgeting Decisions Interactive Video.
- Complete Chapter 8 homework assignment ("Capital Budgeting Decisions").
- Complete Chapter 8 quiz ("Capital Budgeting Decisions").

For further clarification on capital budgeting decision, view the supplemental narrated slides.

Static Budgeting

Profit planning involves the preparation of a number of budgets to achieve a desired level of profits. These budgets form integrated business plans known as the master budget. The master budget is an essential tool that communicates management's plans throughout the entire organization.

This topic addresses the following competency:

- **Competency 3034.2.7: Budgeting**
The graduate uses the master budget, financial budgets, and operational budgets in planning, controlling, and evaluating operations in the short term.



This topic highlights the following objectives:

- Explain the relationship of all the components in the budgeting process.
- Describe the benefits of budgeting.
- Calculate components of a sales budget.
- Calculate components of a production budget.
- Calculate components of a direct materials budget.
- Calculate components of a direct labor budget.
- Calculate components of a manufacturing overhead budget.
- Calculate components of a selling and administrative expense budget.
- Calculate components of a cash budget.
- Calculate components of a budgeted income statement.
- Calculate components of a budgeted balance sheet.

Read: Chapter 9 ("Profit Planning")

Chapter 9 and the included activities in Connect cover how to prepare and use the various budgets included in the master budget.

As you complete the listed material below, pay attention to the following key points:

- advantages and disadvantages of budgeting
- master budget
- calculation of sales budget and subsequent cash collections
- calculation of production budget
- calculation of materials budget and subsequent cash disbursement
- calculation of labor budget, including overtime and required guaranteed wages
- calculation of overhead budget, including fixed and variable components
- calculation of selling and administrative budget, including fixed and variable components
- calculation of cash budget
- calculation of budgeted income statement
- calculation of budgeted balance sheet

View the following video:

- [Budgeting](#) (12:22)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 9 ("Profit Planning") LearnSmart Practice.
- Read Chapter 9 ("Profit Planning").
- View and complete Profit Planning Interactive Video.
- Complete Chapter 9 homework assignment ("Profit Planning").
- Complete Chapter 9 quiz ("Profit Planning").

For further clarification on profit planning, view the supplemental narrated slides.



Flexible Budgeting

Flexible budgeting is used to evaluate how well costs are controlled. In practice, flexible budgeting takes into account how changes in activity can affect budgets and is prepared after the actual level of activity (i.e., volume of production, sales, labor hours, machine hours) for the period is known. A flexible budget is an estimate of what costs should have been for the actual level of activity rather than the static level of activity used in the budgeting process.

This topic addresses the following competency:

- **Competency 3034.2.7: Budgeting**

The graduate uses the master budget, financial budgets, and operational budgets in planning, controlling, and evaluating operations in the short term.

This topic highlights the following objectives:

- Calculate components of a flexible budget.
- Interpret the results of a flexible budget.
- Explain the purpose of a flexible budget.
- Calculate the bottom line of a flexible budget.
- Explain what an activity variance means in a report.
- Identify the possible cause for an activity variance.
- Calculate revenue and spending variances.
- Interpret revenue and spending variances.

Read: Chapter 10 ("Flexible Budgets and Performance Analysis")

Chapter 10 and the included activities in Connect cover what flexible budgets are and how they are used in the performance evaluation process.

As you complete the listed material below, pay attention to the following key points:

- how to use a flexible budget
- how to prepare a flexible budget for actual level of activity (i.e., volume of production, sales, labor hours, machine hours)
- how to calculate and interpret an activity variance
- how to calculate and interpret a revenue and spending variance
- how to identify possible causes of flexible budget variances

View the following video:

- [Sales and Direct Cost Variance Analysis](#) (14:20)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:



- Complete Chapter 10 ("Flexible Budgets and Performance Analysis") LearnSmart Practice.
- Read Chapter 10 ("Flexible Budgets and Performance Analysis").
- View and complete Flexible Budgets and Performance Analysis Interactive Video.
- Complete Chapter 10 homework assignment ("Flexible Budgets and Performance Analysis").
- Complete Chapter 10 quiz ("Flexible Budgets and Performance Analysis").

For further clarification on flexible budgets and performance analysis, view the supplemental narrated slides.

Variance Analysis

Standard costing and variances involves establishing standards for product costs and subsequently evaluating actual costs against these standards. The standards for material, labor, and variable overhead are established and the differences between standard and actual costs allow managers to identify how well costs are controlled.

This topic addresses the following competency:

- **Competency 3034.2.8: Variance Analysis**
The graduate uses revenue and cost variances in evaluating operating performance.

This topic highlights the following objectives:

- Calculate direct materials price and quantity variances.
- Calculate direct labor rate and efficiency variances.
- Calculate variable overhead rate and the variable overhead efficiency variances.
- Interpret material, labor, and variable overhead variances.

Read: Chapter 11 ("Standard Costs and Variances")

Chapter 11 and the activities in Connect cover how to calculate and interpret material, price, and variable overhead variances.

As you complete the listed material below, pay attention to the following key points:

- how standards are determined
- calculation of material price variance
- calculation of material quantity variance
- calculation of labor rate variance
- calculation of labor efficiency variance
- calculation of variable overhead rate variance
- calculation of variable overhead efficiency variance
- how to determine if a variance is variable or unfavorable
- how to identify potential causes of the variance

View the following video:



- [Overhead Variance Analysis](#) (9:11)

Read and complete the following in [Managerial Accounting for Managers](#) with Connect:

- Complete Chapter 11 ("Standard Costs and Variances") LearnSmart Practice.
- Read Chapter 11 ("Standard Costs and Variances").
- View and complete Standard Costs and Variance Interactive Video.
- Complete Chapter 11 homework assignment ("Standard Costs and Variances").
- Complete Chapter 11 quiz ("Standard Costs and Variances").

For further clarification on standard costs and variances, view the supplemental narrated slides.

Final Steps

Congratulations on completing the activities in this course! You are now prepared to complete the associated assessment. If you have not already been directed to complete it, schedule and complete the assessment now.