

Contents

I. Contents 1-5

II. Introduction 1-14

1. Conventions..... 1-19

1.1. Accounting Periods..... 1-19

1.2. Accounting Technical Terms 1-19

1.3. Account Names..... 1-19

1.4. Alphabetic Order 1-19

1.5. Basics 1-19

1.6. Bookkeeping Entries 1-19

1.7. Bookkeeping Entry Format 1-19

1.8. Calculations..... 1-20

1.9. Case Studies 1-20

1.10. Case Study Text..... 1-20

1.11. Cash Flow Separation..... 1-20

1.12. Companies 1-20

1.13. Cost-Expense-Congruence 1-20

1.14. Country..... 1-20

1.15. Currency Unit..... 1-20

1.16. Data Format in Tables..... 1-20

1.17. Data Sheets 1-21

1.18. Prepayments of Income Taxes..... 1-21

1.19. How it is Done..... 1-21

1.20. Income Taxes 1-21

1.21. Financial Statements for Taxation 1-21

1.22. Names..... 1-21

1.23. Language 1-21

1.24. Learning Objectives 1-21

1.25. Legal Forms of a Business 1-21

1.26. Length of a Month/Year 1-21

1.27. Level of Precision	1-21
1.28. Links	1-22
1.29. Literature.....	1-22
1.30. Non-existing Items	1-22
1.31. Online Materials.....	1-22
1.32. Payment Terms	1-22
1.33. Presentation of Accounts	1-22
1.34. Pro-Rated Depreciation/Interest Calculations	1-22
1.35. Quotation of Law Texts/Standards	1-23
1.36. Sequence of Bookkeeping Entries.....	1-23
1.37. Tax on Capital Returns (Dividend Tax)	1-23
1.38. Transaction Costs	1-23
1.39. Value Added Tax, Goods and Service Tax	1-23
1.40. VAT Reduction.....	1-23
1.41. Working Definitions.....	1-23
1.42. Work-in-Process Account	1-24
1.43. Writing Management Terms	1-24
1.44. WWW.....	1-24
1.45. YouTube Videos.....	1-24
1.46. 10-20-30 Rule	1-24
2. Introduction to Managerial Accounting.....	2-25
2.1. Purpose of a Management Accounting System	2-25
2.2. Management Accounting and Financial Accounting (Introduction)	2-26
2.3. Management Accounting for General Management.....	2-26
2.4. Cost Accounting.....	2-27
3. Case Study PENOR PLC - Financial Accounting.....	3-30
3.1. What is in the Chapter?.....	3-30
3.2. Learning Objectives	3-30
3.3. C/S PENOR PLC.....	3-30
3.4. Inception (A)	3-31
3.5. Financial Accounting (B).....	3-33

3.6. Preparation of Financial Statements.....	3-34
3.7. Summary	3-35
3.8. Working Definitions	3-35
3.9. Question Bank.....	3-36
3.10. Solutions.....	3-36
4. Case Study PENOR PLC – Managerial Accounting.....	4-37
4.1. What is in the Chapter?	4-37
4.2. Learning Objectives	4-37
4.3. Management Accounting (C).....	4-37
4.4. Recording Profits without Bookkeeping.....	4-40
4.5. Reporting.....	4-42
4.6. Preparing a Business Plan	4-45
4.7. Summary	4-50
4.8. Working Definitions	4-51
4.9. Question Bank.....	4-51
4.10. Solutions.....	4-52
5. Management Accounting vs. Financial Accounting.....	5-53
5.1. What is in the Chapter?	5-53
5.2. Learning Objectives	5-53
5.3. Management Accounting in General.....	5-53
5.4. Principles of Management Accounting	5-54
5.5. Features of Management Accounting	5-57
5.6. Difference between Management and Financial Accounting	5-59
5.7. Management Accounting Focusses on the Future	5-59
5.8. Management Accounting is not Ruled by Laws.....	5-59
5.9. Management Accounting is Based on Costs	5-60
5.10. Management Accounting is more in the Details.....	5-60
5.11. Management Accounting Allocates Costs to Cost Objects.....	5-60
5.12. Management Accounting Applies for Periods Less than a Year	5-61
5.13. Management Accounting Monitors Deviations	5-61
5.14. Management Accounting Reports	5-61

5.15. Summary	5-62
5.16. Working Definitions.....	5-62
5.17. Question Bank	5-62
5.18. Solutions	5-63
6. Cost Planning / Business Plan.....	6-65
6.1. What is in the Chapter?.....	6-65
6.2. Learning Objectives.....	6-65
6.3. Business Plan.....	6-65
6.4. C/S KIRSTENBOSCH (Pty) Ltd.....	6-66
6.5. Revenue Plan – C/S KIRSTENBOSCH (Pty) Ltd.....	6-67
6.6. Cost Plan – C/S KIRSTENBOSCH (Pty) Ltd.	6-67
6.7. Profit Plan – C/S KIRSTENBOSCH (Pty) Ltd.	6-68
6.8. Liquidity Plan – C/S KIRSTENBOSCH (Pty) Ltd.	6-69
6.9. Budgeted Balance Sheet – C/S KIRSTENBOSCH (Pty) Ltd.....	6-71
6.10. Cash Flow Statement – C/S KIRSTENBOSCH (Pty) Ltd.	6-72
6.11. C/S BANTRY Ltd.....	6-74
6.12. Revenue Plan – BANTRY Ltd.	6-77
6.13. Cost Plan – C/S BANTRY Ltd.....	6-77
6.14. Profit Plan – C/S BANTRY Ltd.....	6-79
6.15. Liquidity Plan – C/S BANTRY Ltd.	6-81
6.16. Balance Sheet – C/S BANTRY Ltd.....	6-82
6.17. C/S McTOY GmbH.....	6-84
6.18. C/S Schluchman.....	6-84
6.19. Summary	6-84
6.20. Working Definitions.....	6-85
6.21. Question Bank	6-85
6.22. Solutions	6-86
7. Investment Decisions	7-87
7.1. What is in the Chapter?.....	7-87
7.2. Learning Objectives.....	7-87
7.3. Investment Appraisal – Basic Approaches.....	7-87

7.4. Payback method	7-87
7.5. C/S HOPEFIELD (Pty) Ltd.	7-88
7.6. Additional Investments – Capital Structure Decisions	7-88
7.7. C/S MESUM GmbH	7-90
7.8. Capital Budget Table CBT	7-90
7.9. C/S WALLINGFORD Ltd. – 1	7-91
7.10. Extended Capital Budget Table eCBT	7-91
7.11. C/S WALLINGFORD Ltd. - 2	7-92
7.12. Decisions between Investments	7-92
7.13. C/S WALLINGFORD Ltd. - 3	7-92
7.14. Present Value Calculation	7-94
7.15. Present Value for Annuities	7-94
7.16. C/S WALLINGFORD Ltd. - 4	7-95
7.17. Yields from Investments	7-96
7.18. Internal Rate of Return	7-96
7.19. C/S WALLINGFORD Ltd. - 5	7-97
7.20. Investment Programme Decisions	7-97
7.21. C/S GATESVILLE AG	7-98
7.22. Ongoing Investments	7-98
7.23. C/S KORINGBERG (Pty) Ltd.	7-99
7.24. Summary	7-99
7.25. Working Definitions	7-100
7.26. Question Bank	7-100
7.27. Solutions	7-101
 8. Cost Volume Profit Analysis (CVP-Analysis)	8-102
8.1. What is in the Chapter?	8-102
8.2. Learning Objectives	8-102
8.3. Basics of Cost-Volume-Profit Analysis	8-102
8.4. C/S Ameer – GRAB Driver	8-102
8.5. Benefit from CVP-Analysis	8-103
8.6. C/S DEERFIELD TOURS (Pty) Ltd.	8-104
8.7. CVP-Analysis for Changing Business Model	8-106

8.8. Online-Shop for DEERFIELD TOURS (Pty) Ltd.	8-106
8.9. Bungee Jumping – DEERFIELD TOURS (Pty) Ltd.....	8-107
8.10. Revenue Calculation – DEERFIELD TOUR (Pty) Ltd.	8-108
8.11. What-if-Analysis	8-109
8.12. Statistics – DEERFIELD TOURS (Pty) Ltd.	8-109
8.13. Multiple-Product CVP-Analysis	8-112
8.14. 2-Tour-Case – DEERFIELD TOURS (Pty) Ltd.....	8-113
8.15. Summary	8-115
8.16. Working Definitions.....	8-115
8.17. Question Bank	8-115
8.18. Solutions	8-116
9. Degree of Operating Leverage (DOL)	9-117
9.1. What is in the Chapter?.....	9-117
9.2. Learning Objectives.....	9-117
9.3. Profit and Output Relationship	9-117
9.4. C/S DEERFIELD TOURS (Pty) Ltd.....	9-118
9.5. DOL-Declining Effect.....	9-120
9.6. Fixed Costs Effect.....	9-120
9.7. C/S EMS KAYAK GmbH.....	9-121
9.8. 3 Break-Even Points – EMS KAYAK GmbH.....	9-122
9.9. DOL-Studies – EMS KAYAK GmbH	9-126
9.10. Fixed Cost Effect – EMS KAYAK GmbH.....	9-127
9.11. DOL for Cash Flows	9-131
9.12. Summary	9-131
9.13. Working Definitions.....	9-131
9.14. Question Bank:	9-131
9.15. Solutions	9-132
10. Performance Measurement.....	10-133
10.1. What is in the Chapter?.....	10-133
10.2. Learning Objectives.....	10-133
10.3. What is Performance?	10-133

10.4. C/S VANHUIZEN BV	10-134
10.5. Short-run (Variable) Contribution Margin.....	10-136
10.6. Controllable Contribution Margin.....	10-136
10.7. Divisional Contribution Margin.....	10-137
10.8. Divisional Net Profit	10-137
10.9. Return on Investment	10-138
10.10. Return on Equity	10-140
10.11. Residual Income	10-141
10.12. Economic Value Added (EVA™)	10-141
10.13. Summary	10-143
10.14. Working Definitions	10-143
10.15. Question Bank	10-143
10.16. Solutions	10-144
11. Accounting for Mergers and Acquisitions	11-145
11.1. What is in the Chapter?	11-145
11.2. Learning Objectives.....	11-145
11.3. M&A - Overview	11-145
11.4. General Description of OHIO FRIED CHICKEN	11-145
11.5. Business Valuation.....	11-146
11.6. Investment Appraisal.....	11-148
11.7. Financial Statements	11-150
11.8. Private Purchase (4-1).....	11-150
11.9. Acquisition by another Company (4-2).....	11-152
11.10. Merger (4-3).....	11-160
11.11. Financial Statement Analysis.....	11-163
11.12. Risk Analysis	11-165
11.13. Summary	11-167
11.14. Working Definitions	11-168
11.15. Question Bank	11-168
11.16. Solutions	11-169

12. Risk Valuation.....	12-170
12.1. What is in the Chapter?.....	12-170
12.2. Learning Objectives.....	12-170
12.3. Bankruptcy due to Over-Indebtedness.....	12-170
12.4. C/S ROCKS PLC	12-170
12.5. Bankruptcy due to Illiquidity.....	12-172
12.6. Risks	12-173
12.7. Risk Management	12-173
12.8. Multiple Risk Taking	12-174
12.9. C/S WEATHERMAN	12-174
12.10. Simulation of Multiple Risks.....	12-176
12.11. C/S NAMGURO Ltd.	12-177
12.12. Normal Distributions	12-179
12.13. Bankruptcy Probability.....	12-180
12.14. C/S OHIO FRIED CHICKEN (Pty) Ltd.	12-180
12.15. Summary.....	12-184
12.16. Working Definitions	12-184
12.17. Question Bank.....	12-184
12.18. Solutions.....	12-185
13. Full Cost Accounting Systems.....	13-187
13.1. What is in the Chapter?.....	13-187
13.2. Learning Objectives.....	13-187
13.3. Cost Concepts	13-187
13.4. Direct vs. Indirect Costs	13-187
13.5. Manufacturing vs. non-Manufacturing Costs	13-188
13.6. Product vs. Period Costs	13-188
13.7. C/S STAFFORD (Pty) Ltd.....	13-189
13.8. Differential/Sunk/Opportunity Costs	13-194
13.9. Components of Cost Accounting Systems.....	13-195
13.10. Cost Category Accounting.....	13-197
13.11. Cost Centre Accounting.....	13-197
13.12. Calculation	13-198

13.13. Profitability Analysis.....	13-198
13.14. C/S GIULIO's PIZZA&PASTA RISTORANTE.....	13-199
13.15. Cost Category Accounting – C/S.....	13-202
13.16. Calculation – C/S.....	13-203
13.17. Cost Centre Accounting – C/S.....	13-204
13.18. Calculation – C/S.....	13-207
13.19. Profitability Analysis – C/S.....	13-212
13.20. Summary.....	13-214
13.21. Working Definitions	13-214
13.22. Question Bank.....	13-215
13.23. Solutions	13-216
14. Flexible Budgeting / Standard Costing	14-217
14.1. What is in the Chapter?	14-217
14.2. Learning Objectives	14-217
14.3. Variable vs. Fixed Costs	14-217
14.4. Cost Accounting Systems	14-218
14.5. Standard Costing.....	14-218
14.6. Cost Separation	14-219
14.7. C/S DANNING (Pty) Ltd.....	14-219
14.8. High-low Method – DANNING (Pty) Ltd.....	14-220
14.9. Scatter Graph – DANNING (Pty) Ltd.....	14-220
14.10. Regression Method – DANNING (Pty) Ltd.....	14-221
14.11. Partial Cost Accounting Systems.....	14-223
14.12. Allocation Principles	14-223
14.13. C/S GIULIO's PIZZA&PASTA RISTORANTE.....	14-224
14.14. Storing Goods that Include Fixed Costs	14-230
14.15. C/S LOGA (Pty) Ltd.....	14-231
14.16. Summary.....	14-234
14.17. Working Definitions	14-234
14.18. Question Bank.....	14-234
14.19. Solutions	14-235

15. Cost Monitoring	15-236
15.1. What is in the Chapter?.....	15-236
15.2. Learning Objectives.....	15-236
15.3. Cost Deviations	15-236
15.4. C/S CROXTON Ltd.....	15-236
15.5. Actual Volume Equals Budgeted Volume: April 20X6	15-237
15.6. Actual Volume is below Budgeted Volume: May 20X6	15-238
15.7. Actual Volume Exceeding Budgeted Volume: June 20X6.....	15-240
15.8. Summary	15-241
15.9. Working Definitions.....	15-242
15.10. Question Bank.....	15-242
15.11. Solutions.....	15-242
 16. Cost Allocations	 16-243
16.1. What is in the Chapter?.....	16-243
16.2. Learning Objectives.....	16-243
16.3. Cost Allocations.....	16-243
16.4. The 1 st Allocation	16-243
16.5. The 2 nd Allocation.....	16-243
16.6. The 3 rd Allocation	16-243
16.7. C/S CLYDBANK Ltd.....	16-244
16.8. The 1 st Allocation – C/S.....	16-245
16.9. The 3 rd Allocation – C/S	16-250
16.10. Technical Terms for Cost Allocations.....	16-251
16.11. Equation Method (1)	16-252
16.12. C/S TUSCAN (Pty) Ltd.....	16-252
16.13. C/S HEISFELD Ltd.....	16-253
16.14. Iteration Method (2)	16-257
16.15. Summary.....	16-258
16.16. Working Definitions	16-258
16.17. Question Bank.....	16-259
16.18. Solutions.....	16-259

17. Reporting.....	17-260
17.1. What is in the Chapter?.....	17-260
17.2. Learning Objectives.....	17-260
17.3. Providing Information as an Accounting Task.....	17-260
17.4. C/S LEBUHRAYA Ltd.....	17-260
17.5. Calculation of Materials (1).....	17-266
17.6. Calculation of Labour (2).....	17-266
17.7. Application of Overheads (3).....	17-266
17.8. Adjustments (4).....	17-266
17.9. COS-Report.....	17-266
17.10. Business Graphics	17-267
17.11. Summary.....	17-268
17.12. Question Bank.....	17-268
17.13. Solutions	17-269
18. Job Order Costing (Manufacturing Accounting).....	18-270
18.1. What is in the Chapter?.....	18-270
18.2. Learning Objectives.....	18-270
18.3. Calculations.....	18-270
18.4. C/S MAHKOTA (Pty) Ltd.....	18-272
18.5. C/S WEIXDORF Ltd.....	18-279
18.6. Summary	18-280
18.7. Working Definitions.....	18-280
18.8. Question Bank.....	18-280
18.9. Solutions.....	18-281
19. Process Costing (Manufacturing Accounting)	19-282
19.1. What is in the Chapter?.....	19-282
19.2. Learning Objectives.....	19-282
19.3. Principle of Process Costing.....	19-282
19.4. C/S EDEWECHT (Pty) Ltd.....	19-284
19.5. Uncompleted Production Steps	19-288
19.6. Equivalent Units Calculation.....	19-288

19.7. Profit Calculation – C/S.....	19-289
19.8. Summary	19-291
19.9. Working Definition	19-291
19.10. Question Bank.....	19-291
19.11. Solutions.....	19-292
20. Contribution Margin Accounting.....	20-293
20.1. What is in the Chapter?.....	20-293
20.2. Learning Objectives.....	20-293
20.3. The Structure of a Profitability Analysis System	20-293
20.4. C/S FLINDERS Ltd.	20-294
20.5. Summary	20-297
20.6. Question Bank	20-297
20.7. Solutions	20-298
21. Activity Based Costing and Target Costing.....	21-299
21.1. What is in the Chapter?.....	21-299
21.2. Learning Objectives.....	21-299
21.3. Background for ABC	21-300
21.4. How does ABC Work?	21-300
21.5. Activity Costs for a Professor.....	21-301
21.6. Business Process Calculation	21-301
21.7. Case Study TORQUAY Ltd.	21-302
21.8. Traditional Cost-Accounting System – C/S	21-303
21.9. Activity Based Costing (partial) – C/S.....	21-304
21.10. Activity-based Management.....	21-306
21.11. Target Costing	21-307
21.12. Design of a Business Class Service – C/S	21-307
21.13. Summary.....	21-309
21.14. Working Definitions	21-309
21.15. Question Bank.....	21-310
21.16. Solutions.....	21-310

22. **Abbreviations22-311**

23. **Table of Figures23-316**

24. **List of Links 24-320**

25. **Literature25-321**