



**Document Title:** Managerial Accounting Review Chapters 8, 9, and 10

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**Sources:** Managerial Accounting Lectures with Karen Shastri at the University of Pittsburgh

**Description:** An outline of Chapters 8, 9, and 10 of managerial accounting. Very detailed conceptual material that Shastri highlights in class. A large amount of examples also included. Good review for the exam!

## Chapter 8 Concepts

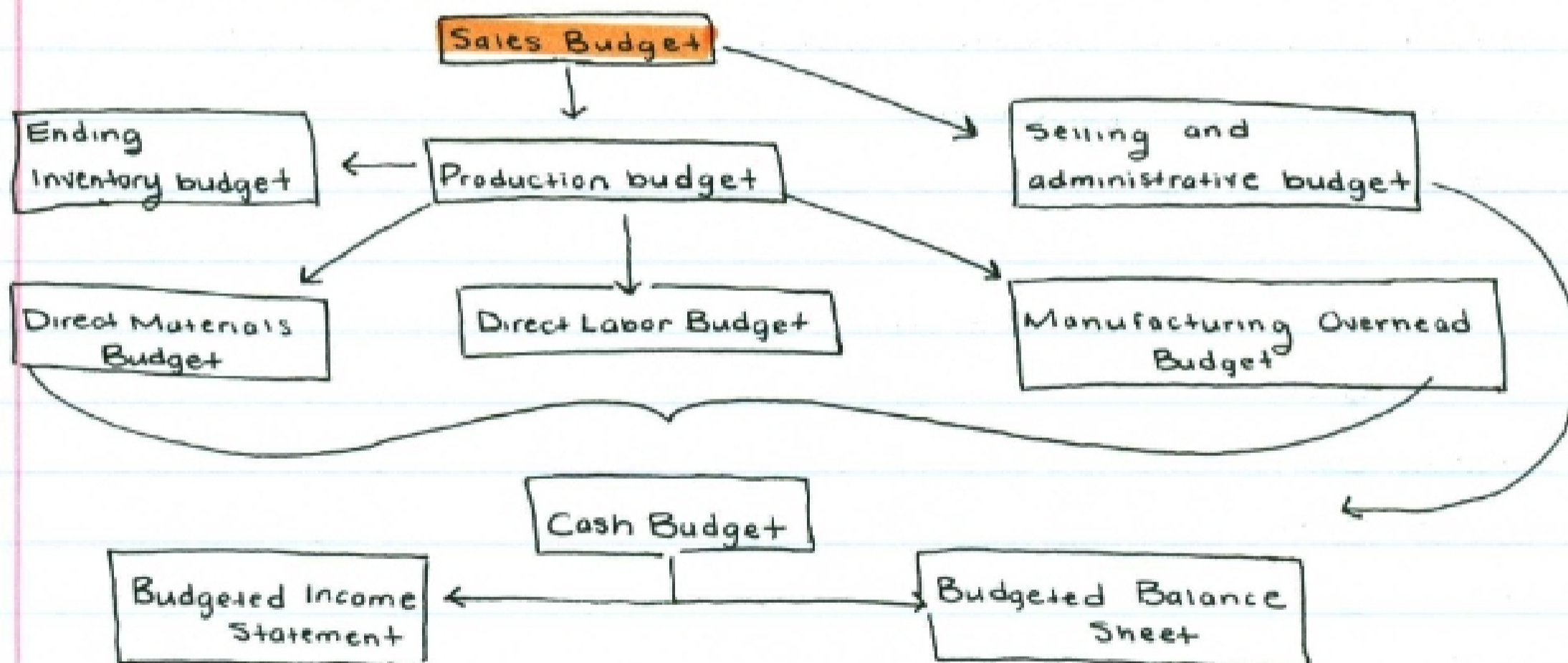
**Participative Budgeting (Self-Imposed) System**: Bottom-up budget where managers and others in departments are responsible for preparing their budget

**Responsibility Accounting**: Management must only be held responsible for the cost it controls

**Planning and Control**: The basics of budget; Planning is creating the budget and control is comparing actual results with the budget and ensuring that the actual activity is within the budget guidelines

**The Budget Committee**: Members of the organization that insure that the budget is being rationally and reasonably created

### The Master Budget (Operational Budget)



**Operating Budget**: budget that usually covers one year corresponding to a company's fiscal year

**Continuous Budget**: budget that rolls forward one month as the current month is completed

**Zero-based Budget**: budget where the baseline is zero and all expenditures must be justified

### Techniques for Estimating the Sales Budget:

- 1) Asking the sales staff what they expect
- 2) Market research
- 3) Delphi technique: Group of individuals within the firm that independently predict sales, meet and discuss differences in predictions until convergence occurs
- 4) Trend Analysis
- 5) Econometric Models

### Benefits of Budgeting:

1. Communicates management's plans to employees
2. Focuses management's attention on the future
3. Allocates resources
4. Uncover potential bottlenecks
5. Improved decision making / Coordinate all departments
6. Benchmark for evaluating performance
7. Improved motivation by employees

How is the budgeted amount of raw materials to be purchased determined?

$$\begin{aligned} & \text{Production in Units} \\ & + \text{Materials/Unit} \\ & \hline & \text{Production Needs} \\ & + \text{Desired EI} \\ & \hline & \text{Total Needed} \\ & - \text{Beg. Inventory} \\ & \hline & = \text{Materials to be purchased} \end{aligned}$$