Central School



Year 13 Accounting

60 Days Home School Package

Teachers Information

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**Home School 60 Days Weekly Plan**

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| **Week** | **Strand** | **Sub Strand** |
| 1 | Strand 2: Strand 2: Financial information for Partnerships and Companies. | Sub-strand 2.1: Financial Transactions of a Partnership |
| 2 | Strand 3: Financial information for a manufacturing job-costing subsystem. | . Sub-strand 3.1: Financial Transactions of a Manufacturing Enterprise |
| 3 |  | Sub-strand 3.2: Evaluation of a Job Cost System for a Business. |
| 4 | Strand 5: Evaluation of a Company’s Financial Information | Sub-strand 5.2: Evaluation of Financial and Non-financial information forReporting and Decision-making. |
| 5 | Sub-strand 5.2: Evaluation of Financial and Non-financial information forReporting and Decision-making. |
| 6 | Sub-strand 5.2: Evaluation of Financial and Non-financial information for Reporting and Decision-making |
| 7 | Strand 6: Information for management decision making | Sub-strand 6.1: The Decision Making Process |
| 8 | Sub-strand 6.1: The Decision Making Process |
| 9 | Sub-strand 6.2: Cash Budgets and CVP Analysis |
| 10 | Sub-strand 6.2: Cash Budgets and CVP Analysis |

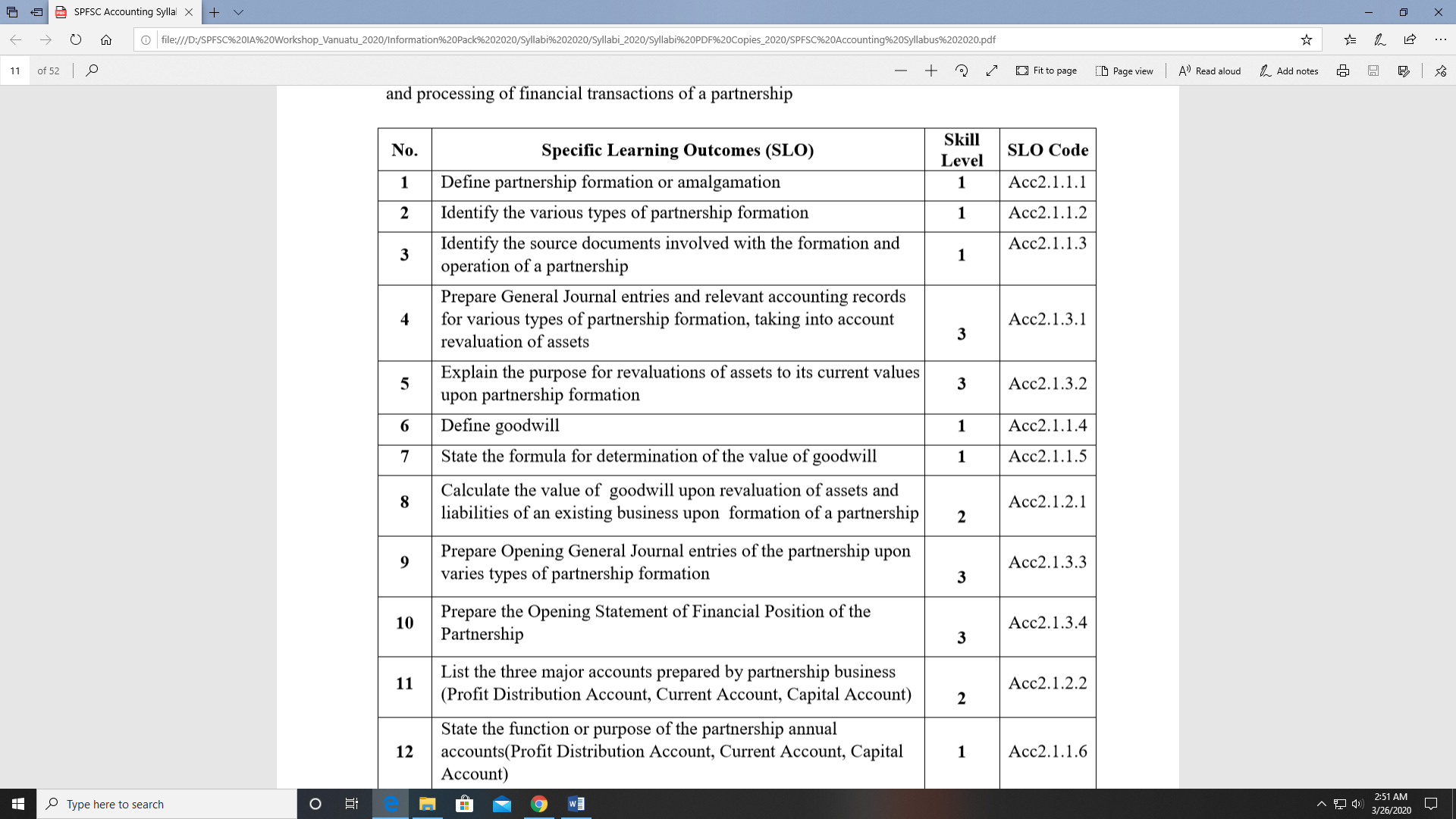
**IMPORTANT INFORMATION**

These are the recommended resources you need to provide feedback to the Activities in Week 1 up to week 10.

* NCEA Level 3 Year 13 Accounting Work book.
* Accounting Concepts and Application Text Book.
* Additional notes provided for each week Strand and Sub strand.
* Additional reliable resources such as internet.

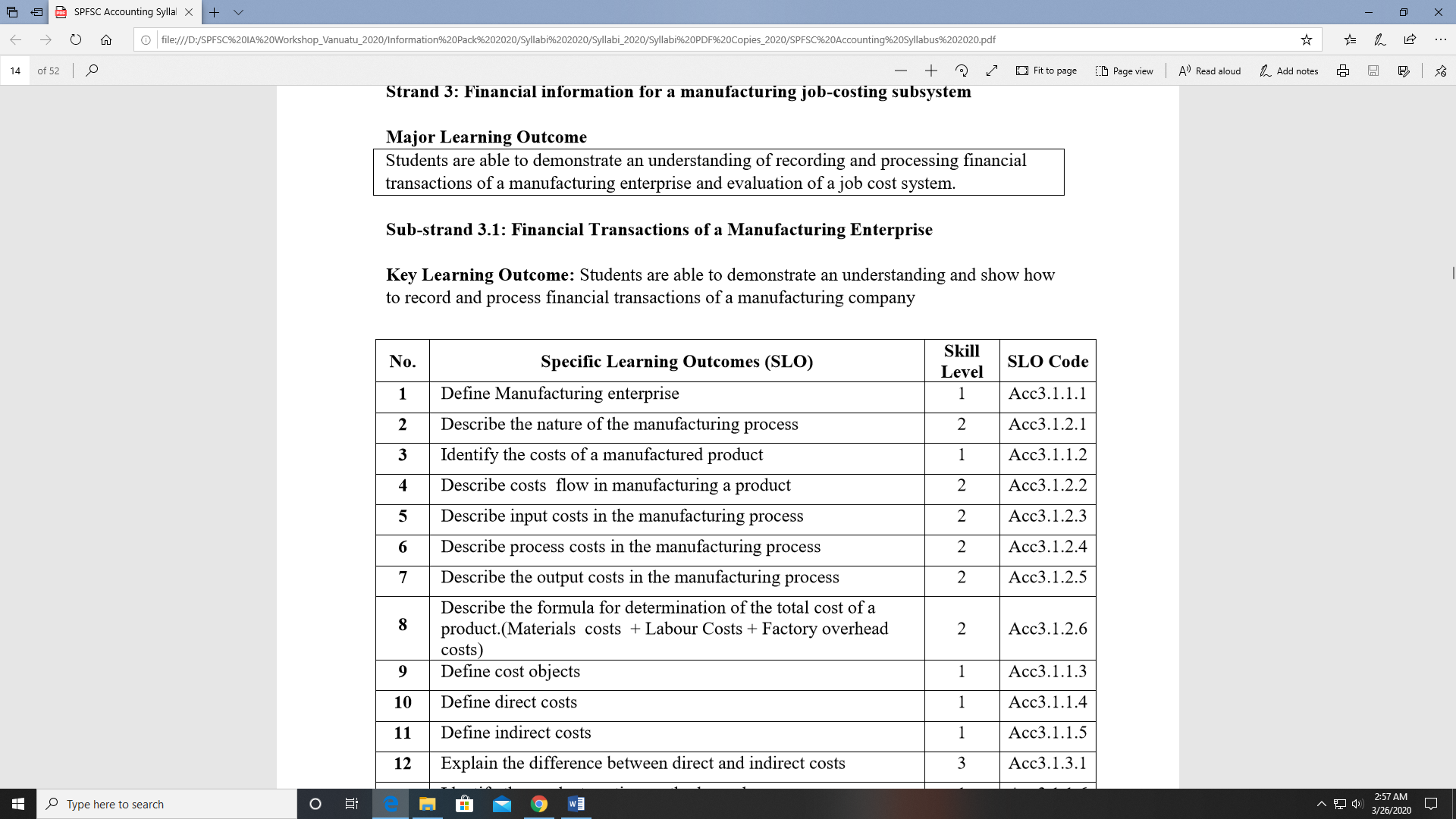
WEEK 1: Financial Transaction for a Partnership

Use the Relevant Resources and attemp SLO 1,2,3 ,5, 6 and 7.



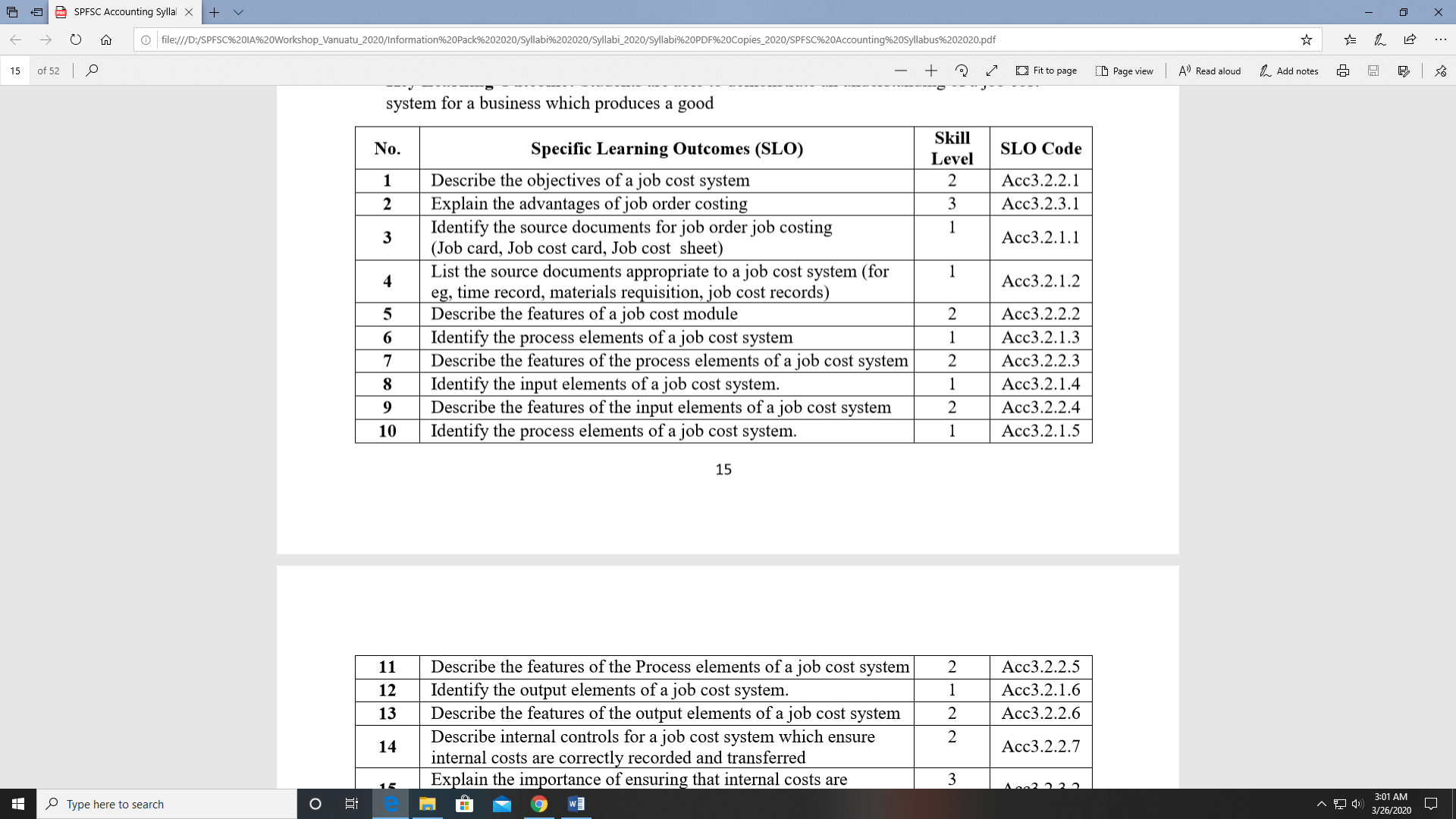
WEEK 2: Financial Transaction for a Manufacturing Enterprise

Use the Relevant Resources and attemp SLO 1,2,9,10,11 and 12



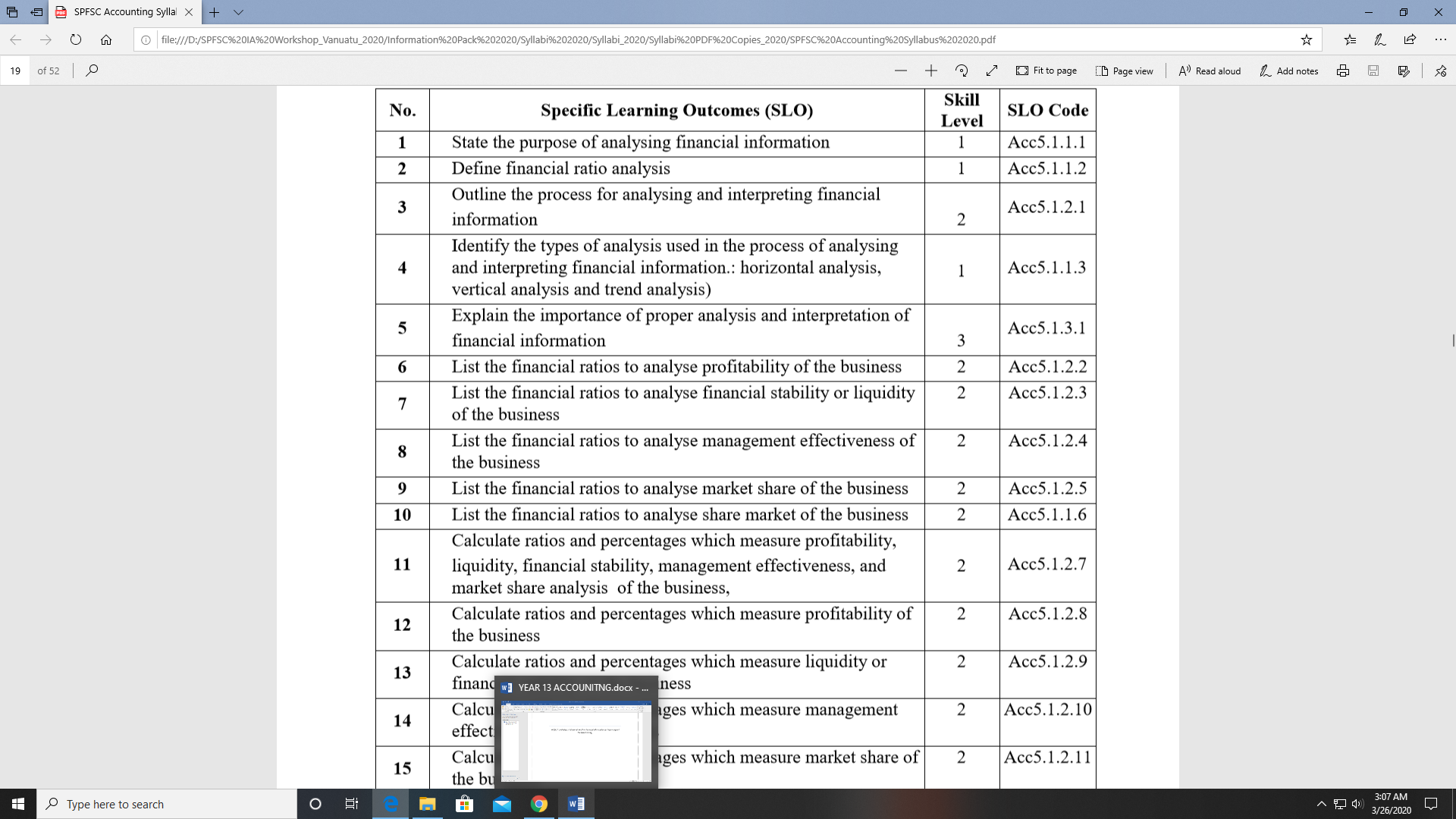
WEEK 3: Evaluation of a Job Cost System for a Business

Use the Relevant Resources and attemp SLO 1 and 2 ONLY



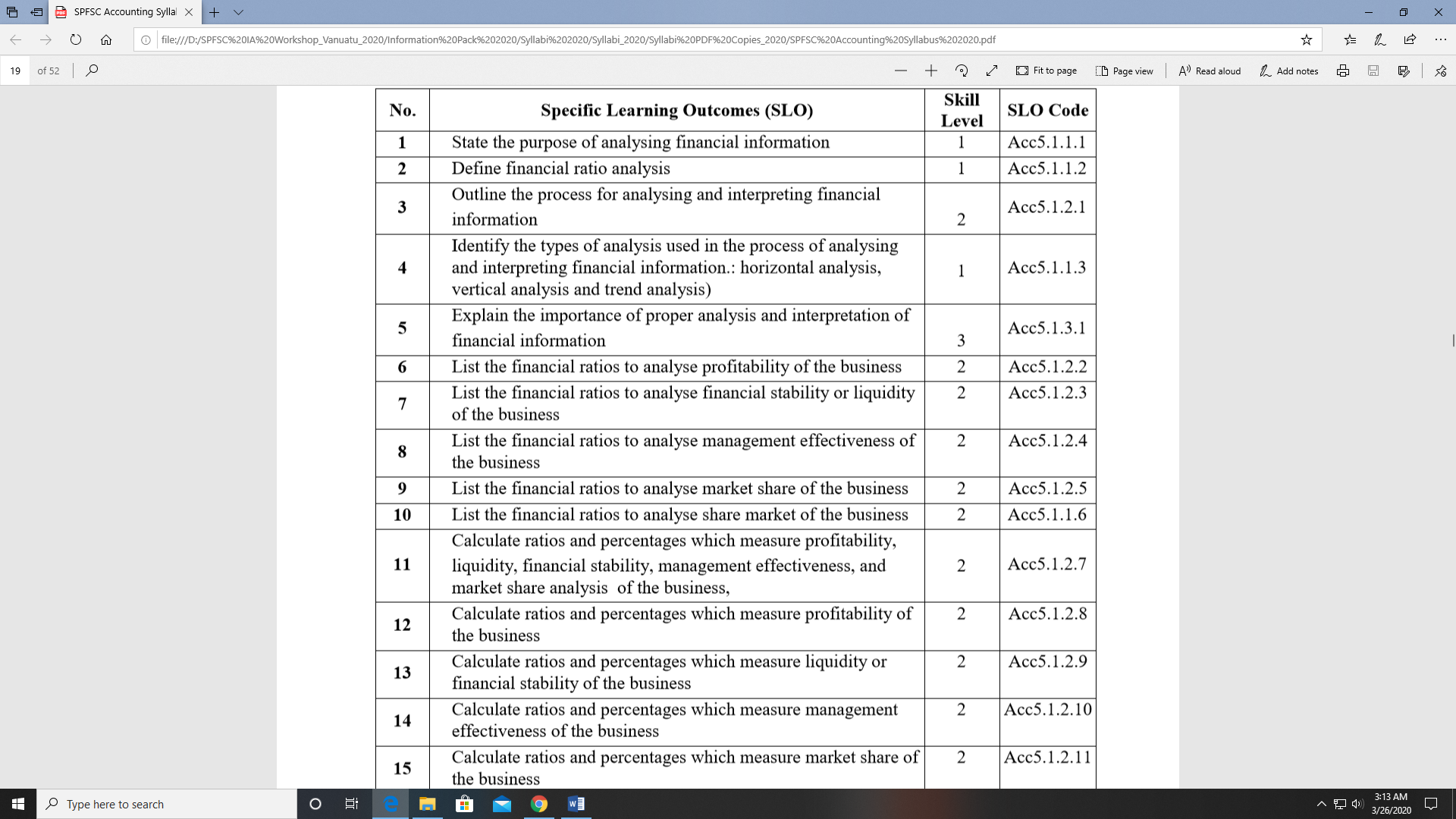
WEEK 4: Evaluation of Financial and Non-Financial information for Reporting and Decision Making.

Use the Relevant Resources and attemp SLO 1 ,2 and 6 ONLY



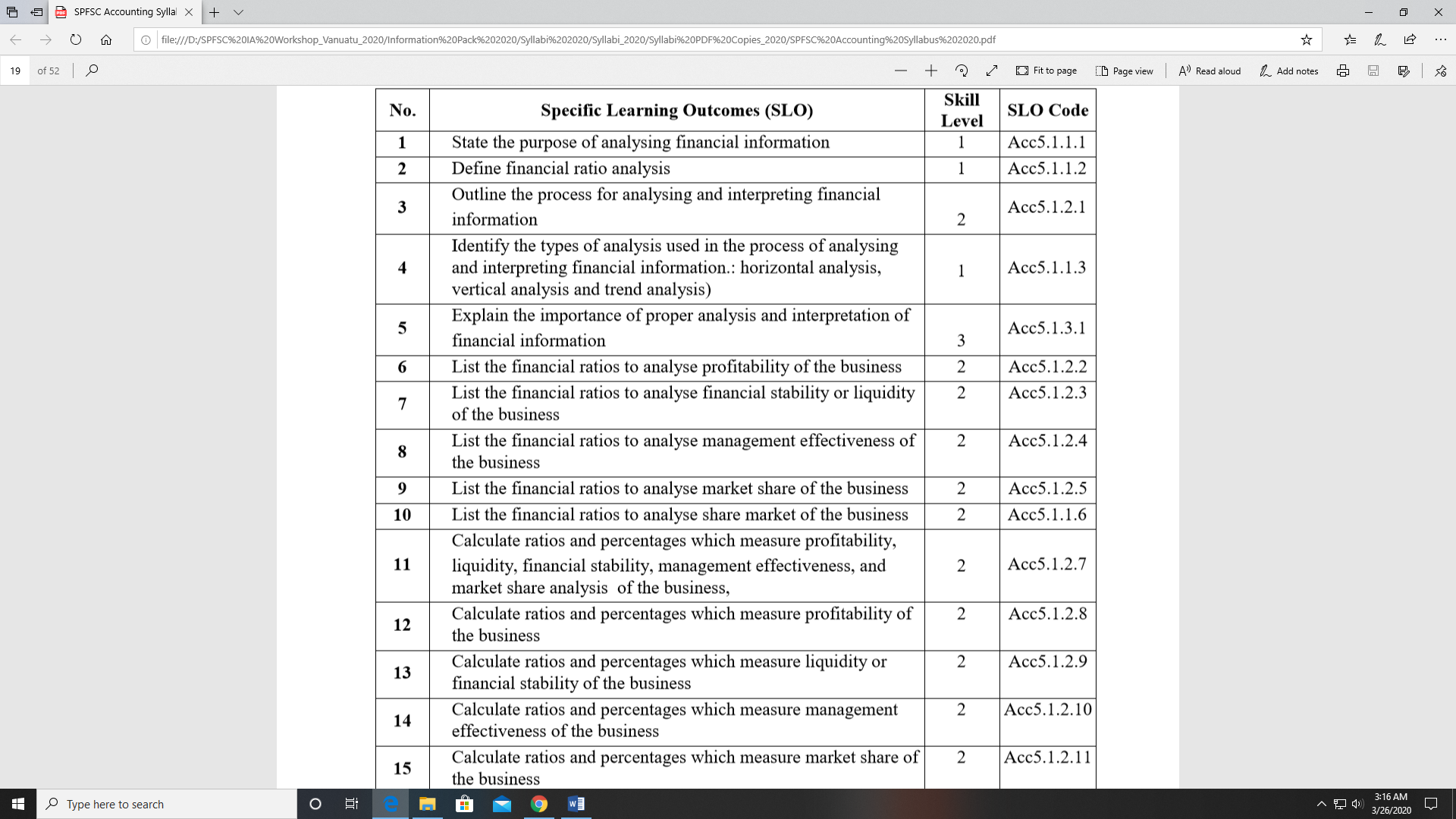
WEEK 5: Evaluation of Financial and Non-Financial information for Reporting and Decision Making.

Use the Relevant Resources and attemp SLO 7 and 8 ONLY



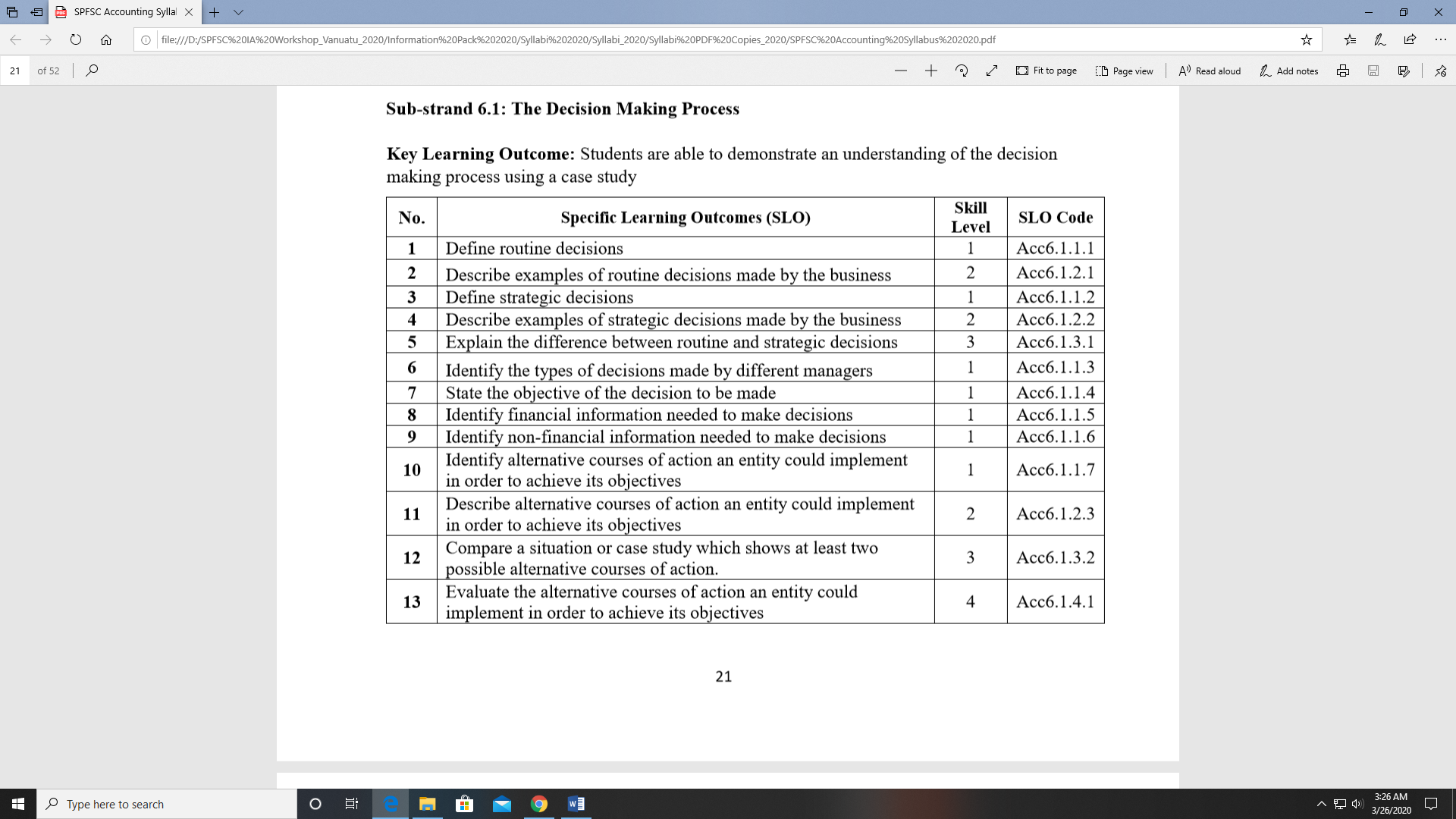
**WEEK 6: Evaluation of Financial and Non-financial information For Decision Making.**

Use the Relevant Resources and attemp SLO 9 and 10 ONLY



**WEEK 7: The Decision Making Process**

Use the Relevant Resources and attemp SLO 1 ,2 ,3 4 and 5 ONLY



**Explationary notes.**

**Routine Decision**

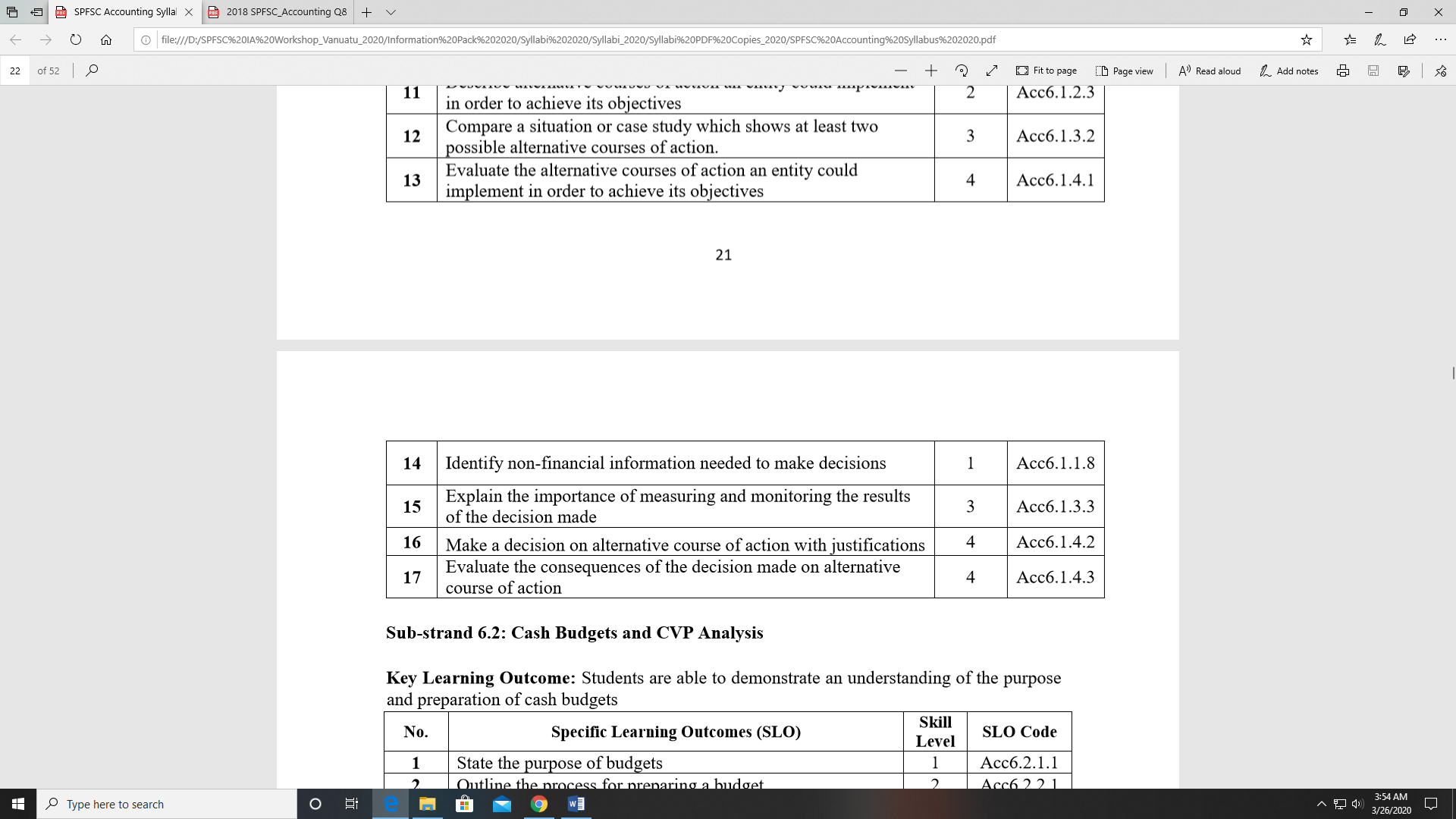
In a business, decisions to purchase new inventory when supplies run low is relatively routine since it is something the company does often and is necessary for operations. In contrast, a major investment in a new building or asset is normally not routine, since it is irregular and highly involved. The more a person knows about a particular domain or topic, the more likely it is for repetitive decisions to become routine.

### **Strategic Decisions**

1. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
2. Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
3. Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
4. Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
5. Strategic decisions are complex in nature.
6. Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
7. Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions, which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions, which help execution of strategic decisions. To reduce cost is a strategic decision, which is achieved through operational decision of reducing the number of employees, and how we carry out these reductions will be administrative decision.

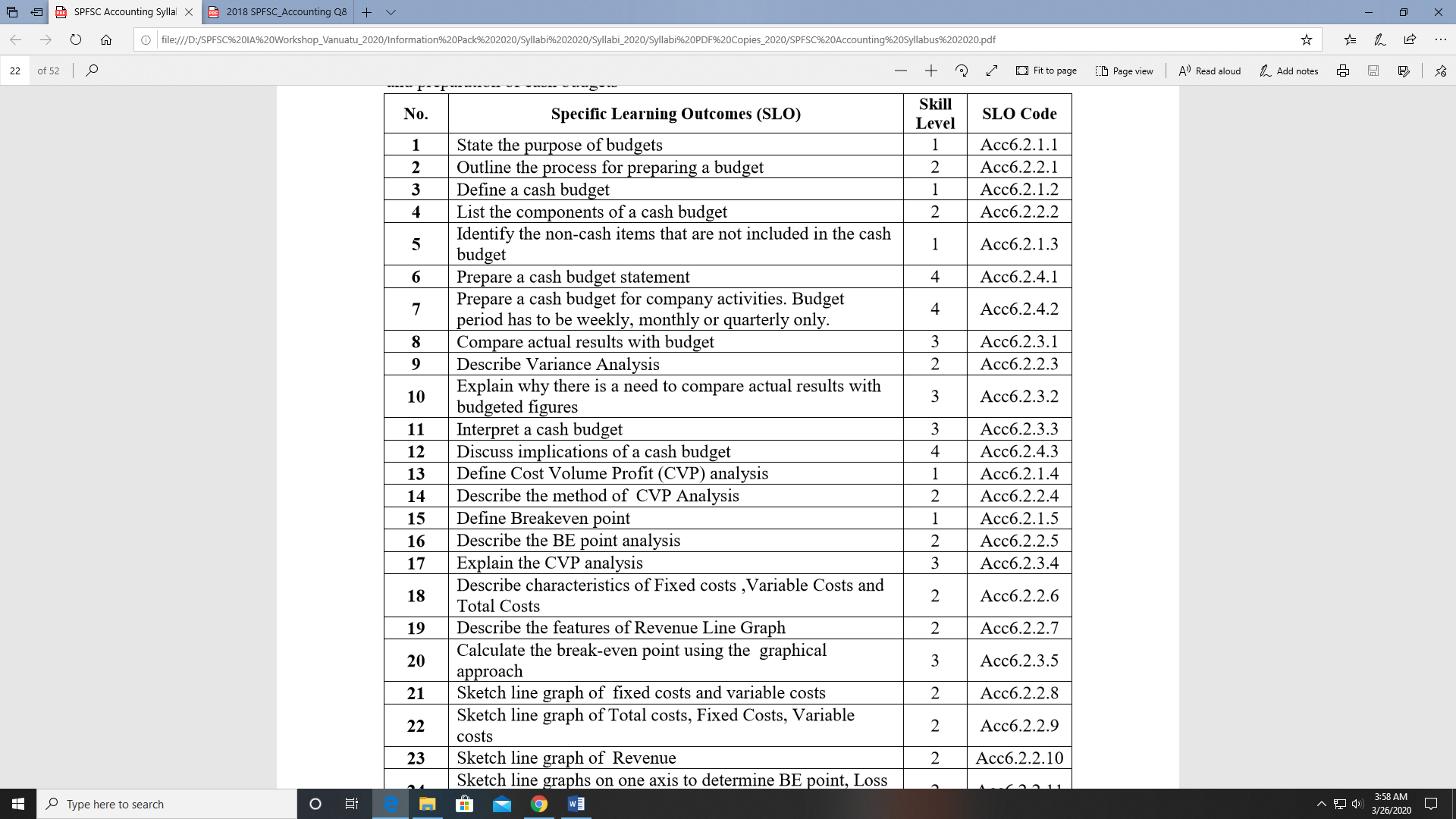
WEEK 8: The Decision making Process

Use the Relevant Resources and attemp SLO 15 ONLY



**WEEK 9: Cash Budget and CVP analysis**

Use the Relevant Resources and attemp SLO 1, 2 3 and 4



**Purpose of Budget**

**The purposes of budgeting are for resource allocation, planning, coordination, control and motivation.** It is also an important tool for decision making, monitoring business performance and forecasting income and expenditure. With proper budgeting, limited resources are managed efficiently.

Budgeting is critical in the business planning process. A business owner has to predict whether the company will be profitable. Budgeting provides a model of the potential financial performance of a business, given that specific strategies and plans are followed. It provides a financial framework for making important decisions. To manage a business effectively, expenditure must be properly controlled. An example of how budgeting plays a role in decision making is when spending money on advertising. When the budget allocated for this aspect has been completely used, the decision is likely to stop spending money on it. Budgeting also helps measure the forecast business performance against the actual business performance. It allows a business owner or manager to determine whether the business lives up to expectations through differences between budgeted and actual expenditure. A specific budget provides information on how much a business can spend every month. Moreover, it lets a business owner know how much profit to make to meet all expenses. The usefulness of budgeting depends on accuracy of available information.

Budget Process



### **Cash Budget**

Cash is known to have a similar importance to a business as blood has to body. No matter how successful a business is, if it runs out of cash, its survival is seriously jeopardized. In order to ensure smooth operations of the business, strong emphasis must be laid upon the development of cash budget. Cash budget helps to formulate in advance the payment and receipt cycles of the business and thus it ensures that cash is readily available to a business. By formulating cash budget, the business can keep track of its accounts receivables and accounts payable. In order to avoid shortage of cash, the business can arrange its credit plans related to [accounts receivables](https://www.cleverism.com/lexicon/accounts-receivable/) and [accounts payable](https://www.cleverism.com/lexicon/accounts-payable/) accordingly.

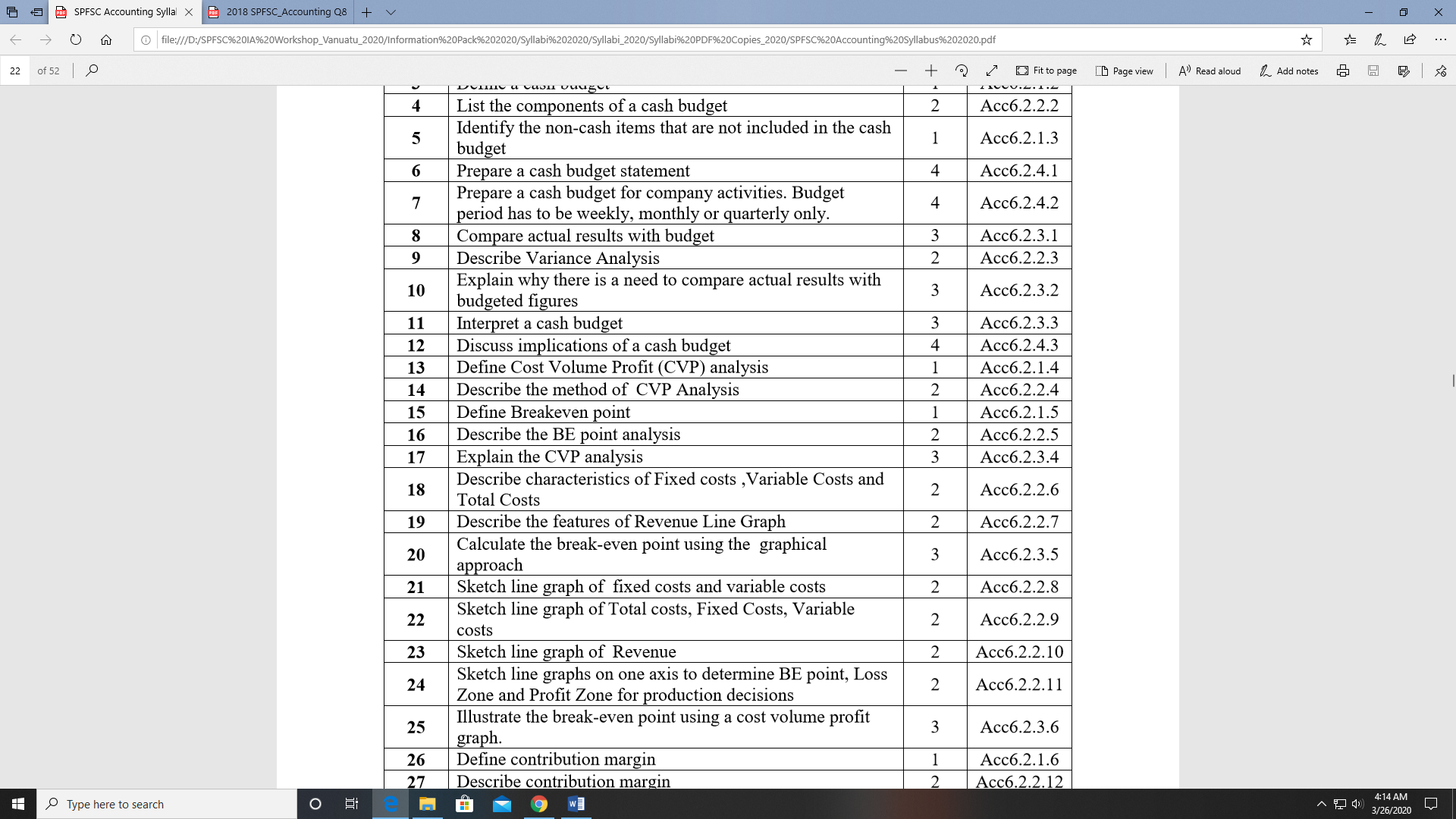
COMPONENT OF CASH BUDGET

## Major component include cash receipts and payments.

## Cash Balance, Beginning of the Year and Cash Balance, Ending of the Year.

**WEEK 10: Cash Budget and CVP analysis**

Use the Relevant Resources and attemp SLO 13 and 15 ONLY.



**Cost-volume-profit (CVP) analysis** is used to determine how changes in costs and volume affect a company's operating income and net income. In performing this analysis, there are several assumptions made, including:

* Sales price per unit is constant.
* Variable costs per unit are constant.
* Total fixed costs are constant.
* Everything produced is sold.
* Costs are only affected because activity changes.
* If a company sells more than one product, they are sold in the same mix.

CVP analysis requires that all the company's costs, including manufacturing, selling, and administrative costs, be identified as variable or fixed.

## Contribution margin and contribution margin ratio

Key calculations when using CVP analysis are the **contribution margin** and the **contribution margin ratio**. The contribution margin represents the amount of income or profit the company made before deducting its fixed costs. Said another way, it is the amount of sales dollars available to cover (or contribute to) fixed costs. When calculated as a ratio, it is the percent of sales dollars available to cover fixed costs. Once fixed costs are covered, the next dollar of sales results in the company having income.

The contribution margin is sales revenue minus all variable costs. It may be calculated using dollars or on a per unit basis. If The Three M's, Inc., has sales of $750,000 and total variable costs of $450,000, its contribution margin is $300,000. Assuming the company sold 250,000 units during the year, the per unit sales price is $3 and the total variable cost per unit is $1.80. The contribution margin per unit is $1.20. The contribution margin ratio is 40%. It can be calculated using either the contribution margin in dollars or the contribution margin per unit. To calculate the contribution margin ratio, the contribution margin is divided by the sales or revenues amount.

## What is the Breakeven Point (BEP)?

In accounting, the break-even point formula is determined by dividing the total fixed costs associated with production by the revenue per individual unit minus the variable costs per unit. In this case, fixed costs refer to those which do not change depending upon the number of units sold. Put differently, the breakeven point is the production level at which total revenues for a product equal total expenses.

The term is also used in investing. The breakeven point formula for a stock or [futures](https://www.investopedia.com/terms/f/futures.asp) trade is determined by comparing the market price of an asset to the original cost; the break even point is when the two prices are equal. For options trading, the breakeven point is the market price that an [underlying asset](https://www.investopedia.com/terms/u/underlying-asset.asp) must reach for an option buyer to avoid a loss if they exercise the option. For a call buyer, the breakeven point is when the underlying is equal to the [strike price](https://www.investopedia.com/terms/s/strikeprice.asp) plus the [premium](https://www.investopedia.com/terms/p/premium.asp) paid, while the BEP for a put position is when the underlying is equal to the strike price minus the premium paid. The breakeven point doesn't typically factor in [commission](https://www.investopedia.com/terms/c/commission.asp) costs, although these fees could be included if desired.

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