ACCT C102 - Review Guide for Exam 1
Chapters Covered: 14-19

**Please note you are responsible for all content in these chapters, this document is merely a guide**

Chapter 14:
- Know the differences between financial and managerial accounting.
- What items are included in product costs?
- Know the definitions for direct labor, direct materials, and factory overhead.
- On what financial statement are product costs shown? Period costs?
- What are the inventory accounts for a manufacturing company?
- Know how to calculate direct materials used, cost of goods manufactured, cost of goods sold and a manufacturer’s income statement.
- Be able to prepare a company’s manufacturing statement in proper format.

Chapter 15:
- What is job cost accounting? For what type of products is each accounting system appropriate?
- What is the purpose of a job cost sheet? What costs can be found on a job cost sheet?
- Know the source documents for the product costs.
- What is the predetermined overhead rate and how is it calculated?
- When is overhead under/overapplied? What is done with this amount?
- Know the summary of cost flows in a job order system and the journal entries involved.

Chapter 16:
- What is process cost accounting? For what type of products is this accounting system appropriate?
- Know how to calculate equivalent units of production and the production costs associated with them.
- Know the summary of cost flows in a job order system and the journal entries involved.

GOOD LUCK!!
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**Chapter 17:**
- What are the two methods used to assign overhead costs to products?
- What are the advantages and disadvantages of each overhead method? Be sure you know how to calculate using each method.
- What is activity-based costing? Under this method, what is the premise of how costs are incurred? What are the benefits of ABC?
- What is a cost pool? An activity driver? How is the activity rate calculated? How are overhead costs calculated under ABC?

**Chapter 18:**
- What is cost-volume-profit analysis?
- What is meant by contribution margin? Know the three ways contribution margin can be expressed and how to calculate each one.
- What is the format for the CVP income statement?
- Know how to calculate target net income.
- What is meant by break-even point? Know how to calculate this in units and dollars.
- What is the significance of the relevant range?
- Know how to calculate the Margin of Safety in dollars and as a ratio. What does the Margin of Safety tell us?

**Chapter 19:**
- What is a sales mix? Know how to calculate the weighted-average contribution margin and ratio. Know how to determine sales mix with limited resources.
- What is the absorption costing method? What is the other name it often goes by? What GAAP principle does absorption costing follow?
- What is the variable costing method? How are the two methods different?
- What costs are included when calculating product cost under the absorption method? What about under the variable costing method?
- Product costs are shown on which financial statement? What about period costs?
- Which method can lead to over-production and why?
- Know how net income is affected when units produced do not equal units sold.
- Know how to calculate degree of operating leverage (DOL). What does the DOL tell us?

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**Bring:** Pencil, Eraser, and a Simple Calculator (no cell phones, graphing calculators or watches).