Management Accounting

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Practical Class #12

Agenda

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Exercise 31

The Alcoólica Company

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The Alcoólica Company

UROH VS OROH

1. **Under-recovery of OH:** current OH > allocated OH (means we actually spent more than budgeted)
- Expense of the current accounting period in the P&L (- negative sign in the P&L)

2. **Over-recovery of OH:** current OH < allocated OH (means we actually spent less than budgeted)
- Reduction in the expenses of the current accounting period in the P&L (+ positive sign in the P&L

→ When we are doing the P&L using **Full Costing Based on Budgeted Activity**, in UROH, we must take into account the **difference between the actual MFC and the Budgeted MFC**

Cost–Volume–Profit Analysis

More Useful Formulas:

$$\text{Profit} = (\text{Expected Sales}_{\text{units}} - \text{BEP}_{\text{units}}) * \text{CM}_{\text{un}}$$

$$\text{Profit} = (\text{Expected Sales}_{€} - \text{BEP}_{€}) * \text{CM}_{\%}$$

$$\text{CM}_{\%} = \frac{\text{Contribution Margin}}{\text{Sales Revenues}}$$