GENERAL

answers to managerial accounting davis second edition

Published: September 19, 2026 | Index ID: #-

Answers to Managerial Accounting Davis Second Edition: A Comprehensive Guide

Mastering **managerial accounting** can feel daunting, especially when you're tackling a textbook as detailed as *Managerial Accounting*by Jay L. Davis, second edition. Whether you're a student preparing for exams, an instructor looking for reliable solutions, or a professional refreshing your knowledge, this article delivers clear, step by step answers to the most common questions found in the second edition. We'll explore key concepts, solve real world problems, and share proven study techniques—all while keeping SEO best practices in mind so you can find the information you need quickly online.

1. Understanding the Davis Second Edition Framework

1.1 Core Concepts Covered

The second edition of Davis's textbook is organized around the foundational pillars of managerial accounting:

- Cost Behavior and Classification – Fixed, variable, and mixed costs; direct vs. indirect costs.
- Costing Systems – Job order costing, process costing, activity based costing (ABC).
- Budgeting and Forecasting – Master budgets, flexible budgets, and rolling forecasts.
- Performance Measurement – Variance analysis, return on investment, residual income.
- Capital Budgeting – Net present value, internal rate of return, payback period.

Each chapter builds on the previous one, culminating in a comprehensive view of how managerial decisions are informed by cost data and financial analysis.

1.2 How the Text Organizes Information

One of the strengths of Davis's second edition is its clear structure:

1. Introductory Overview – Provides context and learning objectives.
2. Illustrative Examples – Real world scenarios that tie theory to practice.
3. End of Chapter Questions – A mix of multiple choice, fill in the blank, and problem solving items.
4. Glossary and Summary – Reinforces key terms and concepts.

By following this sequence, students can gradually internalize the material and test their comprehension before moving on.

2. Common Exam Questions and Detailed Answers

Below we present a curated selection of typical questions from the second edition, along with thorough answers that explain the reasoning process behind each solution.

2.1 Cost Behavior and Analysis

Question:A company has the following cost information for its product line: Fixed costs $120,000; variable cost per unit $8; selling price per unit $20. What is the contribution margin per unit, and what is the break even point in units?

Answer:

1. Calculate the contribution margin (CM) per unit: CM = Selling price – Variable cost = $20 – $8 = $12.
2. Determine the break even units: Break even units = Fixed costs / CM = $120,000 / $12 = 10,000 units.

Thus, the contribution margin per unit is $12, and the company must sell 10,000 units to cover all fixed costs.

2.2 Budgeting and Forecasting Techniques

Question:A firm's sales budget for the year is $1,200,000, with a projected cost of goods sold (COGS) ratio of 60%. What is the expected gross profit for the year?

Answer:

1. Calculate COGS: COGS = 60% of sales = 0.60 × $1,200,000 = $720,000.
2. Determine gross profit: Gross profit = Sales – COGS = $1,200,000 – $720,000 = $480,000.

The firm can anticipate a gross profit of $480,000 for the year.

2.3 Performance Measurement and Variance Analysis

Question:A factory produced 5,000 units during the month. Standard labor hours per unit are 2 hours, and the standard wage rate is $15 per hour. Actual labor hours used were 9,800 hours at a rate of $14.50 per hour. What are the labor efficiency and rate variances?

Answer:

1. Standard labor hours for actual production: 5,000 units × 2 hours = 10,000 hours.
2. Labor efficiency variance (LEV): LEV = (Actual hours – Standard hours) × Standard rate = (9,800 – 10,000) × $15 = (–200) × $15 = –$3,000 (favorable).
3. Labor rate variance (LRV): LRV = (Actual rate – Standard rate) × Actual hours = ($14.50 – $15) × 9,800 = (–$0.50) × 9,800 = –$4,900 (favorable).

Both variances are favorable, indicating that labor was used more efficiently and at a lower cost than expected.

2.4 Capital Budgeting and Investment Decisions

Question:A project requires an initial investment of $250,000 and is expected to generate cash flows of $80,000 per year for 5 years. Using a discount rate of 10%, calculate the net present value (NPV).

Answer:

1. Compute the present value of each cash flow: PV = CF / (1 + r)^t, where CF = $80,000, r = 0.10, and t = 1 to 5.
2. Sum the present values: \\n \\n Year /1: $80,000 / 1.10 = $72,727.27
3. Year /2: $80,000 / 1.21 = $66,115.70
4. Year /3: $80,000 / 1.331 = $60,064.35
5. Year /4: $80,000 / 1.4641 = $54,639.78
6. Year /5: $80,000 / 1.61051 = $49,740.73

The positive NPV indicates that the project is financially attractive under the given discount rate.

3. Sample Problems with Step by Step Solutions

To reinforce learning, we've included three classic problems that reflect the style of Davis's second edition. Follow each step to see how to arrive at the correct answer.

3.1 Activity Based Costing Example

Scenario: A company produces two products, A and B. The following cost drivers are relevant:

- Machine setups – Product A: 10 setups, Product B: 20 setups.
- Inspection hours – Product A: 30 hours, Product B: 20 hours.

Machine setup cost pool = $60,000; inspection cost pool = $40,000. Total units produced: 1,000 units of each product.

Question: Assign overhead costs to each product using activity based costing.

Solution:

1. Determine activity rates:\\n \\n Setup rate = $60,000 / (10 + 20) = $60,000 / 30 = $2,000 per setup.
2. Inspection rate = $40,000 / (30 + 20) = $40,000 / 50 = $800 per hour.

- Product A: Setup cost = 10 × $2,000 = $20,000; Inspection cost = 30 × $800 = $24,000; Total = $44,000.
- Product B: Setup cost = 20 × $2,000 = $40,000; Inspection cost = 20 × $800 = $16,000; Total = $56,000.

- Product A: $44,000 / 1,000 = $44 per unit.
- Product B: $56,000 / 1,000 = $56 per unit.

Using ABC, Product A's overhead cost per unit is $44, while Product B's is $56.

3.2 Contribution Margin Analysis

Scenario: A company sells a single product with the following data:

Baca Juga (Artikel Terkait)

- **advanced engineering electromagnetics solution manual edition hardcover by balanis constantine a published by wiley**
  URL: http://www.denniswildberger.com/advanced-engineering-electromagnetics-solution-manual-edition-hardcover-by-balanis-constantine-a-published-by-wiley.pdf
- **advanced engineering electromagnetics solutions manual**
  URL: http://www.denniswildberger.com/advanced-engineering-electromagnetics-solutions-manual.pdf
- **advanced engineering electromagnetics wiley 1989 grading**
  URL: http://www.denniswildberger.com/advanced-engineering-electromagnetics-wiley-1989-grading.pdf
- **advanced engineering fluid mechanics by biswas**
  URL: http://www.denniswildberger.com/advanced-engineering-fluid-mechanics-by-biswas.pdf

Tags: #answers #managerial #accounting