

# The building of the restaurant



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Cost for the Raw material is variable and the cost of building rent is fixed because raw material cost is based on sales volumes. If the sales volume will increase then the total cost for the raw material will be increased and vice versa. The cost of building rent is fixed because the restaurant will have to pay a certain fixed amount of rent every year hence the cost will be considered as fixed cost.

Computation of Variable cost per unit:

Total Raw material cost = \$650

Total sales volume = 1000 units

Variable cost per unit = \$. 65 per unit.

Computation of Fixed cost per unit:

Total Fixed cost = \$9000

Total sales volume = 1000 units

Fixed cost per unit = \$9. 00 per unit.

If sales volume increases then the total costs would be:

If sales volume increases by 6000 units then:

If sales volume increases by 8000 units then:

Total variable cost

3900

5200

Total fixed cost

9000

9000

Total annual cost

12900

14200

Variable cost per unit

. 65 per unit

. 65 per unit

Fixed cost per unit

\$9. 00 per unit

\$9. 00 per unit

It is clearly seen that the total variable cost is increasing if the volume of sales increases. But the fixed cost remains the same on every sales volume.

Functions of Managerial Accounting:

Managerial accounting (or management accounting) involves the preparation and use of accounting information designed to assist managers and in planning and controlling the operations of the business, and in decision-making. In short, managerial accounting information is designed to meet the needs of insiders, rather than decision makers outside the business entity.

The greatest function of the managerial accounting is to provide managers with the information that is most relevant to particular business decision.

Ethical and legal issues: -

The Code of Ethics recognizes that the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement.

Assume that Barnes, CPA, is performing income tax services for Regis Company: Regis insists that Barnes prepare the company's income tax return in a manner that understates the amount of taxes owed. What should Barnes do

Answer:

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Barnes cannot ethically comply with the client's instructions. Therefore, Barnes should resign from the engagement.

#### References

Meigs & Meigs (9th edition), " ACCOUNTING: The Basis for Business Decisions". New York: McGraw-Hill Inc

Meigs Walter, Johnson Charles, Meigs Robert (1982), " Accounting: The Basis for Business Decision", New York: McGraw-Hill Inc