

MANAGEMENT ACCOUNTING

Theme: Management Accounting Techniques
Assessment Weighting: 20% Coursework 80% Examination

INTRODUCTION

This module is designed to strengthen and develop students' Financial Accounting ability and provides a thorough grounding in Management Accounting systems and procedures as operated in business organisations.

AIMS

The aims of this module are:

- To strengthen and further develop students knowledge and understanding of the application of management accounting techniques
- To ensure students fully appreciate the management processes of planning, control and decision-making.
- To enable students to analyse accounting information and apply it to a wide range of planning, control and decision situations

LEARNING OUTCOMES

On completion of the module students will be able to:

- Explain the role of management accounting within an organisation and the requirement for management information
- Describe costs by classification and purpose
- Identify appropriate material, labour and expense costs
- Understand the principles of costing and apply them in straightforward scenarios
- Understand and demonstrate the cost factors affecting production and pricing decisions

INDICATIVE MODULE CONTENT

Accounting for Management

The nature, purpose, scope and interrelations of functions carried out by management in relation to resources, costs, operations and performance

Nature of internal reporting

Financial and non-financial information for managers

Cost centres, revenue centres, profit centres and investment centres and the impact of these on management information and appraisal

Management information requirements
Importance and definition of good information
Presentation of information

Cost accounting versus financial accounting

Nature and purpose of cost classifications/definitions

Elements of cost:

Materials

Material valuations and the pricing of materials issues

Optimal purchase quantities

Reorder levels

Labour:

Direct and indirect labour

Remuneration methods

Overheads:

Direct and indirect expenses

Principles and processes of overhead cost analysis

Allocation and apportionment of overhead costs including reciprocal service centre situations

Absorption rates

Under- and over- absorption

Changes in the cost structure of a business over time

Costing methods and techniques:

Marginal and absorption costing

Profit statements

Reconciliation of profits under the two methods

Contrast of absorption and marginal costing

Job, batch costing, contract costing

Process costing

Valuation of process transfers and work-in-progress using equivalent units of production based on FIFO and weighted average pricing methods

Normal losses and abnormal losses and gains

Cost behaviour:

Fixed, variable and semi-variable costs

High-low method

Regression analysis

Decision-making:

CVP Analysis

Breakeven point and revenue

Margin of safety

Breakeven chart

Limiting factors:

Optimal production plan given a scarce resource

Preparation of cost estimates for decision making

Relevant costing techniques to include opportunity/sunk, avoidable/unavoidable, fixed/variable costs applied to make or buy, shut down and one-off contract decisions

Investment Appraisal:

Accounting Rate of Return

Payback Methods

Discounted cash flow techniques:

Net present value

Internal rate of return