Module 14

6.14.1. Management Accounting

Module title	Management Accounting
Module NFQ level (only if an NFQ level can be demonstrated)	8
Module number/reference	AT14
Parent programme(s)	Bachelor of Arts (Honours) in Accounting and Finance
Stage of parent programme	Stage 3
Semester (semester1/semester2 if applicable)	Semester 1
Module credit units	ECTS
Module credit number of units	10
Duration of the module	One Academic Semester, 12 Weeks Teaching.
Average (over the duration of the module) of the contact hours per week	6

Analysis of required learning effort

Effort while in contact with staff										
Classroom and demon-strations		**Mentoring and small-group tutoring**		**Other (specify)**		**Directed e-learning (hours)**	**Independent learning (hours)**	**Peer-directed learning.**	**Work-based learning hours of learning effort**	**Total effort (hours)**
Hours	**Minimum ratio teacher/learner**	**Hours**	**Minimum ratio teacher/learner**	**Hours**	**Minimum ratio teacher/learner**					
48	1:40	24	1:20				178			250

Allocation of marks (within the module)

	Continuous assessment	**Supervised project**	**Proctored practical examination**	**Proctored written examination**	**Total**
Percentage contribution	30 %			70%	**100%**

Minimum intended module learning outcomes

On the successful completion of this module, students should be able to:

MIMLO 14.1 Describe and discuss modern management accounting techniques and their respective applications for the firm.

MIMLO 14.2 Use and synthesise information and data to make appropriate and reasoned judgements in decision-making scenarios.

MIMLO 14.3 Prepare reports - to include standard costing and variance analysis, and performance measurement and control - to provide insight into business performance and inform good decision-making.

MIMLO 14.4 Evaluate and formulate budgetary control systems to measure performance and coordinate the activities of the firm.

Module content, organisation and structure

Indicative Syllabus:

Modern management accounting techniques:

- Explain and discuss the changing role of management accounting in a modern business
- Present and calculate standard products cost using traditional overhead absorption (Labour hours, machine hours, per unit, % of material cost, % of labour cost)
- Explain, discuss and calculate standard product cost using activity-based costing techniques (ABC)
- Explain and discuss the relative merits of and the uses to which ABC techniques can be put (pricing, decision making and cost reduction)
- Explain and discuss the concept of target costing in both manufacturing and service industry
- Calculate target cost and discuss the techniques which can be used to close a target cost gap
- Explain and discuss the Just–in-Time (JIT) philosophy and the Total Quality Management (TQM) concept in a modern business environment
- Explain the lifecycle concept and discuss its relevance to management accounting in planning, control and decision making
- Explain the throughput accounting concept and discuss the circumstances where it might be used
- Calculate and demonstrate how the throughput accounting ratio can be used for decision making, identifying its relative merits
- Explain and discuss the meaning and significance of environmental management accounting to a modern business

- Identify and discuss methods available for accounting for environmental costs

Decision making techniques (incl. risk and uncertainty):

- Explain, apply and calculate relevant costs for decision making (future cash flows arising as a direct consequence of the action being considered)
- Calculate relevant costs in various scenarios and make recommendations based on the analysis
- Explain the concept of break-even and calculate BEP and complete CVP in single product and multi-product scenarios
- Calculate and present BEP, margin of safety, C/S ratio and construct break-even charts and Profit/volume charts
- Identify and discuss the relative merits of CVP analysis and make recommendations based on the CVP analysis
- Explain the concept of a scarce resource (limiting factor) and assess scenarios to determine if there are multiple limiting factors
- Formulate, calculate and present recommendations in respect of deployment of scarce resources to maximise profits, including graphical presentation and interpretation of output for computer software applications
- Explain the concept of shadow prices and calculate the value of shadow prices in various scenarios including using shadow prices to make recommendations
- Explain the concept of slack and discuss its relevance in decision making with scarce resources
- Identify, explain, apply and discuss key influencing factors on price and demand (the 4 Ps / 7 Ps of the marketing mix)
- Explain the meaning of price elasticity and calculate price elasticity from information provided
- Calculate and discuss the usefulness of various cost plus pricing methodologies (standard cost +, Marginal cost +, Activity based cost + etc.) in seeking to maximise profits
- Calculate, discuss and apply pricing techniques to maximise profits and maximise revenue where there is a linear price demand relationship (MR = MC and MR = 0)
- Explain and discuss alternative pricing strategies (skimming, penetration, discrimination and discounting)
- Utilise the comparison of marginal cost vs marginal revenue analysis to support recommendations (including make/buy decisions)
- Explain and discuss key non-financial factors which influence decisions in various scenarios
- Explain and distinguish between risk and uncertainty
- Identify and explain various management accounting techniques to reduce uncertainty
- Explain, discuss and calculate expected values, worst case and best case scenarios incorporating risk analysis in the decision making process including the preparation of 2 way and 3 way data tables (profit tables)
- Apply the maximax, maximin and minimax regret decision making methodologies under using risk information provided
- Calculate and explain the value of perfect and imperfect information in various decision making contexts
- Construct and apply decision tree analysis incorporating risk in formulating recommendations
- Explain the concept of sensitivity analysis and perform sensitivity calculations in various scenarios interpreting the findings

Budgeting systems and associated behavioural consequences:

- Explain the linkages between strategy, tactics and operations and the importance of financial budgets
- Explain, discuss, evaluate and conduct calculations in different budgeting systems (Zero based budgets (ZBB), Activity based budgets (ABB), Rolling budgets and Flexible budgets)
- Explain and discuss Hopwood's three main approaches to budgeting as a key control in an organisation (Cost constrained, Profit conscious and Non-accounting)
- Explain budgetary slack and discuss techniques aimed at reduction or elimination of budgetary slack and the behavioural factors involved in creating budgetary slack
- Identify and explain behavioural influences which occur as a result of the budgetary and management accounting control system including consideration of the level of difficulty of the budget
- Identify and discuss the merits and drawbacks of participation in the formation of budgets and the relative merits of top-down and bottom-up budgets
- Calculate, explain and interpret the following quantitative techniques in budgeting
    - Regression/correlation
    - Time series analysis
    - Learning curve
- Explain the concept of the learning curve and discuss its usefulness r software in preparation of budgets, in particular:
    - Spreadsheets for or budget preparation
    - Computer software linear programming

Standard costing and variance analysis:

- Explain standard cost and its importance in the management and control systems in a modern business
- Calculate standard cost and explain the concept of a 'bill of material' and a 'bill of labour' in establishing standard cost
- Prepare a budget from information provided and demonstrate the ability to flex the budget for changes in activity levels, commenting on the usefulness of Flexible budgets
- Identify, calculate and explain the possible causes of basic variances including:
    - Sales price and volume variances
    - Materials price and usage variances
    - Labour rate and efficiency variances
    - Variable overhead expenditure and efficiency variances
    - Fixed overhead volume, capacity and efficiency
- Prepare full operating statements under marginal and absorption costing to reconcile budgeted profit and actual profit clearly setting out the variances
- Calculate basic labour variances in circumstances where a learning curve had been expected to apply
- Where appropriate subdivide the labour efficiency variance into productivity and excess idle time variances, explain the meaning of these variances and suggest possible techniques to reduce or eliminate these variances
- Where appropriate subdivide the materials usage variance into mix and yield variance, explain the meaning of these variances and suggest possible techniques to reduce or eliminate these variances

- Explain and discuss the implications on quality and reliability of attempting to reduce an adverse materials usage variance by altering the mix
- Explain and discuss the implications on quality and reliability of attempting to eliminate adverse productivity and excess idle time variances
- Explain and discuss various approaches to deciding whether to investigate the causes of a variance
- Where appropriate subdivide the sales volume variance into sales mix and quantity variances, explaining the meaning and relevance of these variances
- Explain and distinguish between planning and operational variances and their importance in a management accounting control environment
- Calculate a revised budget taking into account the planning changes (non-controllable changes)
- Calculate the operational variances for sales, materials labour, variable overheads and fixed overheads by comparing the revised budget with the actual result
- Calculate the planning variances for sales, materials, labour and/or variable overheads arising due to permanent budget/planning changes
- Where appropriate calculate the sales planning and operational variances in respect of market share and market size variances
- Identify and explain the suboptimal/dysfunctional nature of traditional budgets in a modern business operating JIT and/or TQM philosophies, including a basic commentary on ‘beyond budgeting’ which highlights the use of alternatives to conventional budgets
- Explain and discuss the impact of World Class Manufacturing (WCM) systems on the meaning and relevance of variance analysis

Performance measurement and control (incl. transfer pricing):

- Explain and discuss the stakeholder concept and the significance of the different performance expectations of different stakeholders from the organisation with which they interact
- Identify, explain and discuss the performance expectations of different stakeholders and the impact this has on organisational performance objectives and performance measurement
- Explain and discuss the importance of assessing performance in the context of the industry in which the organisation operates and the external environment (political, social, economic and technological)
- Calculate and interpret traditional ratio analysis for the assessment of financial performance analysis (Profitability, gearing, liquidity and investment ratios) and discuss the merits and limitations of ratio analysis
- Explain and apply the Kaplan & Norton balanced scorecard methodology to assess performance (Customer perspective, Financial perspective, Productivity and Innovation) to a given scenario and discuss the merits and limitations of this approach in both profit seeking organisations and not-for-profit organisations
- Explain and apply the Fitzgerald & Moon Building Blocks methodology to assess performance (Competitiveness, Financial, Flexibility, Innovation, Resource utilisation and Service excellence) and discuss the merits and limitations of this approach in both profit seeking organisations and not-for-profit organisations

- Explain and apply the Value for Money (VFM) methodology for assessing performance (Economy, Efficiency and Effectiveness) for both profit seeking organisations and not-for-profit organisations
- Identify, explain and calculate a range of non-financial performance indicators in a given scenario which might be of assistance in assessing performance
- Explain the meaning of, distinguish between and calculate Return on capital employed (ROCE), Return on investment (ROI) and Residual income (RI) and discuss their respective merits and limitations
- Explain and discuss the concept of transfer pricing (internal selling price) and the key objectives of its use in a domestic inter-company/inter-divisional context
- Explain, evaluate and calculate transfer prices based on a variety of cost plus and market based transfer prices in circumstances of supply division spare capacity and no spare capacity and explain how dysfunctional decisions and distorted performance assessment can occur
- Explain the concept of opportunity cost in the context of transfer pricing and calculate transfer prices based on opportunity cost principles in circumstances of supply division spare capacity and no spare capacity
- Recommend transfer prices at which overall organisational profit will be maximised and discuss the behavioural implications of such recommendations

Reading lists and other information resources

Title	Author	Publisher	Year
Essential:			
Management Accounting 2nd Edition	Weetman, P	Pearson Education	2010
Management Accounting	Sheppard, G	Gill and Macmillan	2011
Management Accounting	Langfield-Smith, K, Thorne, & Hilton, R.	McGraw-Hill	2008
Performance Management – ACCA F5 Study Text		BPP Learning Media	2018annual update
Recommended:			
Management and Cost Accounting 5th Edition	Bhimani, Horngren, C, Datar, S & Rajan, M	Pearson Education	2011
Management Accounting 2nd Edition	Weetman, P	Pearson Education	2010

REFERENCE:

Journals:
Journal of Accounting
Accounting and Business Ireland (ACCA)
CIMA Financial Management

Websites:
www.aat.co.uk

www.accaglobal.com
www.accountingtechnician
www.bized/ac/uk
www.cimaglobal.com
www.icaew.com