

MODULE: MANAGEMENT ACCOUNTING

CODE: BAAF-2-1-09
Stage: II
Number of Credits: 4 semester credits / 6 quarter units
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.

SYLLABUS

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