

## MICPA Conversion Programme

# Management Accounting

### Module Outline

## MANAGEMENT ACCOUNTING

### AIM

To ensure that students are able to:

1. Understand cost behaviours and product costing
2. Understand the cost terms and concepts, and its relevance for decision-making purposes
3. Understand and apply the various techniques in management accounting
4. Understand the basic framework of budgeting, the elements of planning and management control
5. Assess corporate performance over the entire value chain

### INTRODUCTION

This course begins by examining the role of management accounting and the differences between management accounting and financial accounting. It examines the flow of costs through accounting records and product costing in a manufacturing environment. It also covers the differences in costing methods such as absorption costing, marginal costing variable and activity-based costing. Additional topics including break-even analysis, budgeting, product pricing, standard costing and performance measurement are discussed as well.

### EXAMINATION FORMAT

A 3-hour written paper comprising 5 – 6 compulsory questions

### SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Overview of Management Accounting Cost Behaviour and Concepts	20%
Product Costing Absorption Costing vs Marginal Costing	20%
Activity-Based Costing Cost-Volume-Profit Analysis	20%
Budgeting and Forecasting Pricing and Product Decisions	20%
Standard Costing and Variances Performance Measurement	20%
<b>Total</b>	<b>100%</b>

## SYLLABUS CONTENT

NO	TOPIC
1.	<p>Overview of Management Accounting</p> <ul style="list-style-type: none"> <li>a) Strategic decisions and the management accounting</li> <li>b) The five-step decision-making process</li> <li>c) Key management accounting guidelines</li> <li>d) Cost-benefit approach</li> <li>e) Different costs for different purposes</li> <li>f) Professional ethics</li> </ul>
2.	<p>Cost Behaviour and Concepts</p> <ul style="list-style-type: none"> <li>a) Direct costs and indirect costs</li> <li>b) Challenges in cost allocation</li> <li>c) Factors affecting direct/indirect cost classifications</li> <li>d) Cost-behaviour patterns: variable costs and fixed costs</li> <li>e) Cost drivers</li> <li>f) Inventoriable costs, and period costs</li> </ul>
3.	<p>Product Costing</p> <ul style="list-style-type: none"> <li>a) Normal costing</li> <li>b) Actual costing</li> <li>c) Standard costing</li> <li>d) Job-costing and process-costing systems</li> <li>e) Budgeted indirect costs and end-of-accounting-year adjustments</li> </ul>
4.	<p>Variable Costing vs Absorption Costing</p> <ul style="list-style-type: none"> <li>a) Variable costing</li> <li>b) Absorption costing</li> <li>c) Operating income and income statements</li> <li>d) Absorption costing and performance measurement</li> <li>e) Comparing inventory costing methods</li> <li>f) Effect on budgeted fixed manufacturing cost rate</li> </ul>
5.	<p>Activity-Based Costing</p> <ul style="list-style-type: none"> <li>a) Refining a costing system</li> <li>b) Activity-based costing systems</li> <li>c) Considerations in implementing activity-based costing systems</li> <li>d) Improving cost management and profitability</li> <li>e) Activity-Based Costing and Department Costing Systems</li> </ul>

NO	TOPIC
6.	Cost-Volume-Profit Analysis <ul style="list-style-type: none"> <li>a) Essentials of CVP analysis</li> <li>b) Contribution margins</li> <li>c) Cost-volume-profit assumptions</li> <li>d) Breakeven point</li> <li>e) Target operating income</li> <li>f) Sensitivity analysis and margin of safety</li> </ul>
7.	Budgeting and Forecasting <ul style="list-style-type: none"> <li>a) Budgeting cycle and master budget</li> <li>b) Challenges in administering budgets</li> <li>c) Developing an operating budget</li> <li>d) Steps in preparing an operating budget</li> <li>e) Financial planning models and sensitivity analysis</li> <li>f) Budgeting in multinational companies</li> </ul>
8.	Pricing and Product Decisions <ul style="list-style-type: none"> <li>a) Major influences on pricing decisions</li> <li>b) Costing and pricing for the short run</li> <li>c) Costing and pricing for the long run</li> <li>d) Target costing for target pricing</li> <li>e) Cost-plus pricing</li> <li>f) Life-cycle product budgeting and costing</li> </ul>
9.	Standard Costing and Variances <ul style="list-style-type: none"> <li>a) Static budgets and variances</li> <li>b) Flexible budgets</li> <li>c) Implementing standard costing</li> <li>d) Price variances and efficiency variances</li> <li>e) Variable overhead cost variances</li> <li>f) Fixed overhead cost variances</li> </ul>
10.	Performance Measurement <ul style="list-style-type: none"> <li>a) Financial and non-financial performance measures</li> <li>b) Accounting-based measures for business units</li> <li>c) Performance measurement in multinational companies</li> <li>d) Benchmarks and relative performance evaluation</li> <li>e) Executive performance measures and compensation</li> </ul>

## RECOMMENDED REFERENCE TEXTS

<b>AUTHOR</b>	<b>TITLE</b>	<b>PUBLISHER</b>
Horngren, C.T., Datar, S.M. and Rajan, M. (2012)	Cost Accounting: A Managerial Emphasis, 14th edition	Pearson Education Limited

## OTHER REFERENCES

<b>AUTHOR</b>	<b>TITLE</b>	<b>PUBLISHER</b>
Langfield-Smith, K, Thorne, H, and Hilton, RW 2009	Management Accounting: Information for Creating and Managing Value, 5th edition	McGraw-Hill, Australia