

# Management Accounting

Explores the roles and procedures of management accounting, including product and process costing, overhead allocation, budgeting, activity based costing and cost volume profit analysis. The implications for pricing models, product mixes and tactical decision making are explained.

This e-workbook leads to an advanced understanding of management accounting for planning, control and tactical decision making.

## Part 1: Introduction to management accounting

### Introduction to management accounting and costing concepts

- Contemporary issues including globalisation and service industries
- Identifying cost behaviour including stepped, mixed and curvilinear
- Linking cost estimation, cost behaviour and cost prediction
- Examining cost drivers and manufacturing costs
- Identifying costs and business functions across Porter's value chain
- Cost estimation methods including the high-low method

## Part 2: Costing fundamentals

### Product costing systems

- Identifying the flow of costs through manufacturing accounts
- Manufacturing overhead: budgeted, overapplied and underapplied
- Preparing journal entries for a job costing system
- Preparing schedules: cost of goods manufactured, cost of goods sold

### Process costing and operation costing

- Methods of process costing: weighted average, FIFO
- Spoilage: normal and abnormal
- Journal entries for process costing and operation costing

### Overhead costing and allocation of support department costs

- Evaluating the plant wide allocation method
- Applying the direct, step down and reciprocal methods
- Overhead estimation issues

### Activity Based Costing

- The limitations of conventional costing systems
- Applying ABC to calculate product costs
- Benefits, limitations and implementation considerations

### Cost Volume Profit analysis

- Calculating and interpreting the break-even point and contribution margin
- Assumptions and limitations of CVP analysis
- Advanced CVP analysis for profit planning and sensitivity analysis
- Calculating the required sales volume to meet target profit
- Tax effects and analysis of multiple products

## Part 3: Budgeting and standard costing

### Budgets

- Purposes of budgeting: from planning to performance evaluation
- Preparing the master budget: operating and financing budgets
- Evaluating capital budgeting techniques and real world decisions
- Responsibility accounting, behavioural issues, performance evaluation

### Standard costing: direct material and direct labour

- Calculating and interpreting direct material and direct labour variances
- Distinguishing between price and efficiency variances
- Preparing and contrasting static and flexible budgets
- Variance analysis and management by exception

### Standard costing: flexible budgets and overhead

- Fixed overhead budget and volume variances
- Variable overhead spending and efficiency variances
- Accounting for overhead variances including journal entries
- Appraisal of standard costing systems

## Part 4: Management decision making

### Tactical decision making

- The decision model and relevant information
- Analysis of special order decisions with or without excess capacity
- Make/buy decisions allowing for excess capacity or opportunity costs
- Adding or deleting a product line or business department
- Joint product decisions to sell or process a product further

### Pricing and product mix decisions

- Key influences on short-term and long-term pricing decisions
- Regulatory restrictions on pricing
- The economic profit-maximising model
- Target pricing and target costing
- Cost-plus pricing strategies
- Considerations in product mix decisions