

Unit Title: Managerial Accounting	Unit Code: CMA
Level: 5	Learning hours: 160
Learning outcomes and Indicative content:	
Candidates will be able to:	
<p>1. Compare and contrast the control systems required for materials, labour and overheads</p> <p>1.1 Describe and explain the nature of costs, the behavioural aspects of costs and classification of costs</p> <p>1.2 Describe and explain the different types of cost units</p> <p>1.3 Describe and explain the different types of cost centre and their uses</p> <p>1.4 Describe and explain the problems and costs associated with labour turnover</p> <p>1.5 Describe and explain the methods of allocation and apportionment of overheads, pricing of materials and impact upon profits of the different methods available.</p> <p>1.6 Describe and explain service department costs</p> <p>1.7 Calculate overhead recovery rates and the suitability of different bases of recovery available</p> <p>1.8 Identify the elements of the cost of a product or service.</p> <p>1.9 Explain the reason for and significance of an under or over absorption of fixed costs</p> <p>2. Analyse data according to various cost classifications and the effect of volume on costs</p> <p>2.1 Describe and explain cost volume profit analysis (drawing of charts and diagrams is not required in the examination); the assumptions and the validity of the assumptions, on which such analysis is based.</p> <p>3. Describe and explain how cost systems differ by activity i.e. job, process and contract costing</p> <p>3.1 Describe and explain characteristics of process costing, equivalent units</p> <p>3.2 Describe and explain normal and abnormal losses and their treatment within the accounts</p> <p>3.3 Describe and explain the difference between joint products and by-products</p> <p>3.4 Describe and explain methods of apportioning joint costs</p> <p>3.5 Calculate the cost and selling price of a product or service</p> <p>3.6 Explain the use of activity-based costing methods</p>	

- 4. Describe and explain costs for short-term decision making**
 - 4.1 Explain contribution theory, limiting factors and their use in profit maximisation
 - 4.2 Calculate the maximum profit in a limiting factor situation
 - 4.3 Explain sunk costs, opportunity costs, differential costs, relevant costs and incremental costs and their influence on short-term decisions
 - 4.4 Calculate prices on a relevant cost basis
 - 4.5 Explain qualitative aspects of short-term decision making
- 5. Compare and contrast the difference between marginal and absorption costing**
 - 5.1 Calculate marginal costing and absorption costing profit statements
 - 5.2 Explain the differences in profits between these two statements
- 6. Explain the purpose of budgetary control**
 - 6.1 Describe the objectives and benefits of budgets and budgetary control
 - 6.2 Describe the construction of budgets for planning and control purposes
 - 6.3 Describe the construction of functional and master budgets
 - 6.4 Explain the construction and use of cash budgets and the contrast with funds flow statements
 - 6.5 Explain the management of budgets
 - 6.6 Explain the use of flexible budgets as a control technique
- 7. Discuss the purpose of standard costing and variance analysis (the calculation of variances will *not* be required in the examination)**
 - 7.1 Explain the significance and inter-relationship of the different types of variances
 - 7.2 Describe and explain the causes of both cost and sales variances
 - 7.3 Explain the value of the investigation of variances
 - 7.4 Describe and explain the differences between fixed and variable cost variances
 - 7.5 Describe types of standards and their suitability
 - 7.6 Describe and explain control ratios and their relationship to variances

- 8. Understand the purpose and importance of working capital management**
- 8.1 Describe and explain operating cycle
 - 8.2 Describe and explain funding and control of **each** of the elements of working capital
 - 8.3 Describe and explain the problems and costs associated with having too much or too little of each element
 - 8.4 Calculate and use solvency ratios and calculate and use economic material order quantity to control working capital
- 9. Appraise capital investment projects**
- 9.1 Have a knowledge of the time-value of money
 - 9.2 Explain the financial and non-financial factors involved in investment decisions
 - 9.3 Explain the difference between profit and cash flow and the significance of non-cash items
 - 9.4 Calculate the Accounting Rate of Return, and Payback
 - 9.5 Calculate the net present value.
 - 9.6 Explain the internal rate of return (calculations will not be required)
 - 9.7 Explain the strengths and weaknesses of the different methods
- 10. Understand performance measurement**
- 10.1 Explain the use of ratios and non-financial indicators in the analysis of company and departmental performance in both manufacturing and service industries.
- 11. Understand the information requirements of management**
- 11.1 Describe and explain the shortcomings of financial accounts as a management control tool
 - 11.2 Describe and explain essential requirements of a management accounting system
 - 11.3 Explain value of information
 - 11.4 Describe and explain the information requirements of operational, strategic and tactical management and the role of the management accounting system in supplying such information
 - 11.5 Explain the importance of internal control systems

Assessment Criteria:

- Assessment method: written examination
- Length of examination: three hours
- Candidates should answer four questions from a choice of eight, each question carrying equal marks

Recommended Reading

ABE, *ABE Study Manual – Managerial Accounting*, ABE

Lucey T, *Costing* (2002), Thomson Learning
ISBN: 0826455107