London School Of Business And Research

MANAGEMENT ACCOUNTING

Unit Reference Number	R/617/3289
Unit Title	Management Accounting
Unit Level	4
Number of Credits	20
Total Qualification Time	200
Mandatory / Optional	Mandatory
SSAs	15.1 Accounting and finance
Unit Grading Structure	Pass

Unit Aims

The aim of the unit is for learners to develop their skills in management accounting, including preparation of budgets, costing, capital expenditure appraisal, and to apply these skills to a real world case or case study.

Learning Outcomes and Assessment Criteria

Learning Outcomes- The learner will:	**Assessment Criteria- The learner can:**
1. Be able to prepare organisational budgets.	1.1 Explain the purpose of budgeting as a management tool. 1.2 Prepare organisational budgets from given data. 1.3 Analyse budgets to assess organisational performance.
2. Be able to use standard costing techniques.	2.1 Explain the purpose of standard costing. 2.2 Outline ideal and attainable standards. 2.3 Calculate variances. 2.4 Interpret variances. 2.5 Evaluate the advantages and limitations of a standard costing system.
3. Be able to use capital expenditure appraisal techniques.	3.1 Explain capital expenditure appraisal techniques. 3.2 Calculate payback, Accounting Rate of Return (ARR), Net Present Value (NPV) and Internal Rate of Return (IRR). 3.3 Evaluate capital expenditure proposals from given data. 3.4 Assess the importance of non-financial factors when appraising financial decisions.
4. Understand costing techniques.	4.1 Differentiate between marginal and absorption (total) costing. 4.2 Explain job, batch and process costing methods. 4.3 Explain how service costing techniques are used. 4.4 Explain how a business organisation may use cost – volume – profit analysis. 4.5 Calculate break-even point using formula.

Indicative content

Learning Outcome 1

Purpose of budgeting: forecast of income and expenditure; tool for monitoring business performance; tool for decision-making.

Preparation of different types of budget:
1. Sales
2. Production
3. Purchases
4. Trade Receivables (debtors)
5. Trade Payables (creditors)
6. Cash (cash flow forecast)
7. Master

Budget analysis: Interpretation of budget results including the interpretation of favourable and adverse variances.

Learning Outcome 2

Purpose of standard costing

Types of standards: ideal and attainable.

Calculation and analysis of variances: calculation of variances; analysis and interpretation of favourable and adverse variances; investigation of variances; reconciliation statements (budgeted and actual profit; budgeted and actual costs; budgeted and actual sales).

Variances:
1. material variances (price and usage);
2. labour variances (rate and efficiency);
3. sales margin variances (volume and price);
4. total fixed overhead variance; and
5. total variable overhead variance;

Advantages and limitations: Advantages (e.g. better cost control, information for control and decision making, easier inventory measurement, easier record keeping); Limitations (e.g. determining variances may be more difficult; exceptions may not be reported; management by exception can lower employee morale).

Learning Outcome 3

Capital appraisal techniques: purpose; definition of different techniques; advantages and disadvantages of different capital investment appraisal methods.

Calculation: calculate of payback, accounting rate of return (ARR), net present value (NPV), internal rate of return (IRR).

Evaluate proposals: analyse capital investment appraisal results; use capital investment appraisal techniques to make informed decisions; justify decisions made and techniques used.

Non-financial factors: qualitative factors affecting investment decisions, for example, staff, legislation, etc.

Learning Outcome 4

Different costing methods and techniques: describe methods; purposes and use of different costing methods; calculations for different costing methods.

Methods to include:
1. Marginal Costing
2. Absorption (Total) Costing
3. Job Costing
4. Batch Costing
5. Process Costing

Cost, volume, profit analysis (break-even): use of break-even (to determine number of units sold to avoid losses; to determine relationship between costs, revenues and profits at different levels of output); calculation (identify variable and foxed costs, identify selling price, use of formula to calculate break-even).

Assessment

To achieve a 'pass' for this unit, learners must provide evidence to demonstrate that they have fulfilled all the learning outcomes and meet the standards specified by all assessment criteria.

Learning Outcomes to be met	Assessment criteria to be covered	Type of assessment	Summary of quantity/quality
LO1, LO2, LO3, LO4	All ACs under LO 1-4	Case study	3000

Indicative Reading List

Drury, JC. (2007) *Management and Cost Accounting*; 7th edition, Chapman and Hall.

Izhar, R. Hontoir, J. *Accounting, Costing and Management*; 2nd rev. edition. Oxford University Press

Randall, H. (2005) *AS and A Level Accounting*, Cambridge University Press