

STAGE: FORMATION 2

Subject Title:

MANAGEMENT ACCOUNTING

Examination Duration: 3 Hours

Aim

The aim of this subject is to ensure that students develop a knowledge and understanding of the various cost accounting principles, concepts and techniques appropriate for planning, decision making and control and the ability to apply these techniques in the generation of management accounting reports

Management Accounting as an Integral Part of the Syllabus

This subject develops in students an understanding of how management accounting plays an integral part in the modern commercial environment, supporting entrepreneurial activities in both growing and established entities. It provides an essential foundation in the study of cost and management accounting and is a necessary prerequisite to the later studies in *Managerial Finance*, *Strategic Performance Management*, *Strategic Corporate Finance* and *Strategy & Leadership*.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws and Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1			Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between *Management Accounting* and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

Learning Outcomes

On successful completion of this subject students should be able to:

- Explain the relative strengths and weaknesses of alternative cost accumulation methods and discuss the value of management accounting information.
- Calculate unit costs, applying overhead, using both absorption costing and activity-based costing principles.
- Apportion and allocate costs to units of production in job, batch and process costing systems, for the purpose of inventory valuation and profit measurement.
- Identify and explain cost behaviour patterns and apply cost-volume profit analysis.
- Define and use relevant costs in a range of decision-making situations.
- Prepare and present budgets for planning, control and decision making.
- Compute, interpret and investigate variances.
- Demonstrate communication skills, including the ability to present quantitative and qualitative information, together with analysis, argument and commentary, in a form appropriate to the intended audience.

Syllabus

1: THE ROLE OF THE MANAGEMENT ACCOUNTANT	CL*
The nature and scope of management accounting.	2
The relationship between management accounting and financial accounting.	2
Cost classifications.	2
The role of the Management Accountant in a modern business environment, including the recognition of possible ethical issues that may arise.	2

2: COST ACCUMULATION SYSTEMS

Accounting for materials: inventory valuation approaches (FIFO; LIFO and AVCO); EOQ and JIT concepts. 2

Accounting for labour: remuneration methods; incentive schemes; productivity, labour turnover and labour performance reports. 1

Accounting for Overheads: absorption costing and activity based costing (ABC) approaches to overheads. 2

The preparation of integrated accounts 2

3: COSTING METHODS

Job and batch costing. 2

Process costing for single products and the use of equivalent units calculations under both FIFO and Weighted Average accounting systems. 2

Process costing ledger accounts including normal and abnormal loss/gain. 2

The role of costing in non-manufacturing sectors (service costing). 2

Marginal costing and the importance of contribution for decision-making. 2

Comparison of marginal costing and absorption costing approaches. 2

4: INFORMATION FOR DECISION MAKING

Cost behaviour patterns and identification of fixed/variable elements in a cost using High/Low method, scatter-graphs and regression analysis. 2

Break-even analysis and the importance of contribution. 2

Break-even chart preparation and interpretation. 2

Calculation of break-even point, margin of safety and target profit.	2
Limitations of Cost-Volume-Profit Analysis.	2
Relevant costing principles, including committed, sunk and opportunity costs.	2
Relevant costs in decision making.	2
Decision making with a single limiting factor/ constraint.	2
Qualitative factors relevant to specific decisions.	2

5: INFORMATION FOR PLANNING AND CONTROL

The role of budgeting including alternative budgeting systems (fixed, flexible, incremental and zero based budgeting (ZBB)).	1
Behavioural and motivational issues in the budgetary process.	1
Functional and subsidiary budgets (Master budgets are examinable at P1 Stage).	2
Standard costing: role and procedures for standard setting, including different types of standards.	2
Variance analysis: the calculation and interpretation of basic sales/cost variances. Reconciliation reports. The inter-relationship and possible causes of variances (fixed overhead capacity and efficiency variances are not examinable).	2

Assessment Strategy:

EXAMINATION APPROACH

Questions in this examination are structured to ensure that students may demonstrate their knowledge and understanding of the principles and techniques of cost and management accounting at an introductory level. Where appropriate, students are expected to apply and integrate relevant learning from other syllabi with their learning from the Management Accounting syllabus. This is achieved through a blend of theoretical and numeric questions, often set in the context of a scenario.

EXAMINATION FORMAT

The examination is unseen, closed -book and 3 hours in duration. The paper has 6 questions. Questions 1 and 2 are compulsory. Students are required to answer 3 of the remaining 4 questions. Generally the examination consists of 1 essay / memorandum-type question and 5 computational-type questions. A multiple-choice question may be included as one of the computational questions. Some of the computational questions may require brief commentary on salient points related to the computations carried out.

Marks Allocation	Marks
Question 1	25
Question 2 (Students have a choice, Part A or B must be answered)	15
Choice of 3 questions out of 4 (20 marks are allocated to each question).	60
	Total 100

Learning Resources

CORE TEXTS

Drury, C., Cost and Management Accounting – An Introduction, 10th ed. / Cengage 2018 / ISBN-13: 978-1473748873.

MANUALS

Griffith College CPA F2 Management Accounting -Latest edition.

SUPPLEMENTARY TEXTS

W. Seal, C. Rohde, R. H. Garrison & E. W. Noreen / Management Accounting / McGraw-Hill 6th ed 2018 / ISBN-13: 978-0077185534.

Datar, S. & Rajan, M., Horngren's Cost Accounting: A Managerial Emphasis, Global Edition, 16th ed. / Pearson 2017/ ISBN-13: 978-1292211541.

Burns, J., Quinn, M., Warren, L. & Oliveira, J., Management Accounting /McGraw-Hill Education 2013/ ISBN-13: 978-0077121617.

AccountancyPlus.

CPA Students' eBulletin.

USEFUL WEBSITES (AS AT DATE OF PUBLICATION)

www.cpaireland.ie - CPA Ireland

www.accountingeducation.com - Accountingeducation.com

Cost and Management Accounting (7th Edition) by Colin Drury - related website: www.drury-online.com