



**Level 5 Diploma in Accounting & Finance (519)**  
**167 Credits**



<b>Unit:</b> Management Accounting	<b>Guided Learning Hours:</b> 240
<b>Exam Paper No.:</b> 4	<b>Number of Credits:</b> 24
<b>Pre-requisites:</b> Knowledge of accounting concepts covered in Level 4 Accounting Principles (Cert in BA) and Level 5 Accounting (Dip in BA).	<b>Co-requisites:</b> A pass or higher in Diploma in BA & Computer Systems or equivalence.
<p><b>Aim:</b> Management Accounting is the study of using cost accounting information for managerial planning and production control, including the use of such information for product pricing. The unit pays detailed attention to variable cost, fixed cost, mixed cost, direct costing, absorption costing; analysis of costs for decision-making; capital expenditure planning; rate of returns; manufacturing expenses control; measurement and control of various work units output. This unit is designed to enable learners to understand cost concepts, cost accumulation, techniques in cost analysis, preparing production cost reports, accounting procedures for raw materials, labour and overhead costs as well as various cost accounting approaches: job-order accounting, process costing, point-product and by product costs, cost control by means of standard costs; analysis of variances; preparing production cost reports. The success of any business is grounded in the basics of profitability and cash (liquidity) availability. This unit will reinforce these tenets and their connection to the key functions within managerial accounting.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> The unit requires a combination of lectures, demonstrations and discussions.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 The nature and scope of management accounting and the role of costing in meeting the needs of management.</p> <p>2 The process and techniques involved in basic cost accumulation; inventory valuation, material costs and stock management.</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Explain differences between Management and Financial Accounting.</p> <p>1.2 Describe users of accounting information</p> <p>1.3 Explain the differences between direct and indirect costs</p> <p>1.4 Explain the differences between variable costs, fixed costs and stepped fixed costs</p> <p>1.5 Be able to separate the fixed and variable costs from a semi-variable cost</p> <p>1.6 Create a standard cost schedule</p> <p>1.7 Explain the importance of management accounting</p> <p>1.8 Compare management accounting with financial accounting</p> <p>1.9 Explain the various cost classifications</p> <p>1.10 Explain cost behaviour patterns</p> <p>1.11 Split semi-variable costs into fixed and variable elements using the High-Low method</p> <p>1.12 Explain the meaning of cost units, cost centres, profit centres and investment centres</p> <p>1.13 Explain the requirement to allocate overheads</p> <p>2.1 Identify and calculate the different formulas used to work out the Maximum Level, Minimum Level and Reorder Level for stock</p> <p>2.2 Calculate the Reorder Quantity (ROQ); also known as Economic Order Quantity (EOQ)</p> <p>2.3 Calculate Stock Turnover.</p>

<p>3 Understand labour costing; labour and overhead costs and the steps in allocating overheads to products</p>	<p>2.4 Explain how material costs form part of the total production cost</p> <p>2.5 Explain the process of controlling and recording costs of materials</p> <p>2.6 Explain the FIFO, LIFO and AVCO approach to stock valuation</p> <p>3.1 Describe and calculate different methods for paying and charging labour rates</p> <p>3.2 Calculate labour turnover</p> <p>3.3 Calculate standard hours</p> <p>3.4 Calculate labour productivity</p> <p>3.5 Determine required hours from productive hours and idle time</p> <p>3.6 Calculate idle time ratios</p> <p>3.7 Produce labour overtime calculations</p> <p>3.8 Calculate labour charge rates</p> <p>3.9 Explain the traditional approach to and apportioning production overheads to products</p> <p>3.10 Explain the concept of under / over recovery of overhead costs</p> <p>3.11 Explain how cost drivers may be used to locate overhead costs in activity-based costing</p>
<p>4 Understand accounting overheads; including and how indirect costs are shared out across the organisation.</p>	<p>4.1 Define indirect costs</p> <p>4.2 Explain why departmental overhead absorption rates should be used in preference to single blanket costing rates</p> <p>4.3 Explain why absorption rates cannot be mixed within a department</p> <p>4.4 Calculate cost centre absorption rates</p> <p>4.5 Explain why budgeted overhead rates should be used in preference to actual overhead rates</p> <p>4.6 Identify suitable methods for absorbing indirect costs to products/services</p> <p>4.7 Demonstrate apportioning overheads from service departments to production departments</p>
<p>5 Understand overhead allocation using absorption and marginal costing and the implementation of the each.</p>	<p>5.1 Define absorption costing</p> <p>5.2 Define marginal costing</p> <p>5.3 Demonstrate overhead allocation using absorption costing</p> <p>5.4 Demonstrate overhead allocation using marginal costing</p> <p>5.5 Describe over and under absorption</p> <p>5.6 Identify differences between absorption and marginal costing</p> <p>5.7 Describe the steps to absorption vs marginal costing</p>
<p>6 Understand Marginal Costing and Contribution Volume Profit (CVP) analysis; including the reasons for charging/collecting costs.</p>	<p>6.1 Describe profit differences in both absorption and marginal costing</p> <p>6.2 Analyse arguments for both absorption and marginal costing</p> <p>6.3 Define break even analysis</p> <p>6.4 Describe how to calculate break even point</p>

	6.5 Define contribution 6.6 Define margin of safety 6.7 Draw break even graph
7 Understand the functions of budget, aspects of budgeting and the factors taken into account when constructing a budget.	7.1 Describe functions of a budget 7.2 Explain how budgeting fits into the overall planning and control framework of a business 7.3 Identify and describe the various stages of the budget process 7.4 Prepare functional and master budgets 7.5 Describe the differences between incremental and zero-based budgeting 7.6 Explain problems with budgeting
8 Understand the need for process costing accounting methodology; implementation of loss, joint and by products.	8.1 Define process costing 8.2 Calculate normal losses, abnormal losses and abnormal gains 8.3 Calculate scrap value and know to deduct from cost 8.4 Calculate equivalent units 8.5 Define joint products and by products 8.6 Apply and explain the different methods of dealing with by products 8.7 Explain different ways to deal with common costs
9 Understand standard costing and variance analysis as a budgetary control tool for evaluating performance between amounts budgeted/planned and the actual incurred.	9.1 Define variance analysis 9.2 Describe types of cost variances 9.3 Analyse reasons why variable and expected production overhead can be different 9.4 Explain reasons for cost variances 9.5 Explain reasons for material variances 9.6 Explain reasons for labour variances 9.7 Describe types of sales variance
<b>Methods of Evaluation:</b> A 2½-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Management Accounting with a weighting of 100%.	

### Recommended Learning Resources: Management Accounting

<b>Text Books</b>	<ul style="list-style-type: none"> <li>• Management Accounting by Will Seal. ISBN-10: 0077109392</li> <li>• Management and Cost Accounting by Colin Drury. ISBN-10: 1844805662</li> <li>• Management Accounting: An Introduction by Pauline Weetman. ISBN-10: 0273701991</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None