

Unit 5: Management Accounting

Unit code	H/508/0489
Unit type	Core
Unit level	4
Credit value	15

Introduction

The overall aim of this unit is to introduce the fundamentals of management accounting which apply to the wider business environment and the organisations which operate within that environment. Students will explore how management accounting uses financial data to aid planning decisions, and the monitoring and control of finance within organisations.

On successful completion of this unit students will be in a position to present financial statements in a workplace context and be able to assist senior colleagues with financial business planning. In addition, students will have the fundamental knowledge and skills to progress onto a higher level of study.

Learning Outcomes

By the end of this unit a student will be able to:

- 1 Demonstrate an understanding of management accounting systems.
- 2 Apply a range of management accounting techniques.
- 3 Explain the use of planning tools used in management accounting.
- 4 Compare ways in which organisations could use management accounting to respond to financial problems.

Essential Content

LO1 Demonstrate an understanding of management accounting systems

Introduction to management accounting:

What is management accounting? Definition of management accounting.

What is a management accounting system?

Why is it important to integrate these within an organisation?

Explore the origin, role and principles of management accounting.

The distinction between management and financial accounting.

Different types of management accounting systems:

Cost-accounting systems, inventory management systems, job-costing systems and price-optimising systems.

Benefits of different types of systems.

Presenting financial information:

Why information should be relevant to the user, reliable, up to date and accurate.

Why the way in which the information is presented must be understandable.

Different types of managerial accounting reports.

LO2 Apply a range of management accounting techniques

Microeconomic techniques:

What is meant by cost? Different costs and cost analysis.

Cost-volume profit, flexible budgeting and cost variances.

Applying absorption and marginal costing.

Product costings:

Fixed and variable costs, cost allocation.

Normal and standard costing, activity-based costing and the role of costing in setting price.

Cost of inventory:

Definition and meaning of inventory costs and different types of inventory costs.

The benefits of reducing inventory costs to an organisation.

Valuation methods.

Cost variances.

Overhead costs.

LO3 Explain the use of planning tools used in management accounting

Using budgets for planning and control:

Preparing a budget.

Different types of budgets e.g. capital and operating.

Alternative methods of budgeting.

Behavioural implications of budgets.

Pricing:

Pricing strategies.

How do competitors determine their prices?

Supply and demand considerations.

Common costing systems:

Actual costing, normal costing and standard costing systems.

How cost systems differ depending on the costing activity: job costing, process costing, batch costing and contract costing.

Strategic planning:

Applying PEST, SWOT, balance scorecard or Porter's Five Forces analysis to the financial position of an organisation.

LO4 Compare ways in which organisations could use management accounting to respond to financial problems

Identifying financial problems:

Using benchmarks, key performance indicators (financial and non-financial) and budgetary targets to identify variances and problems.

Financial governance:

Definitions of financial governance, and how this can be used to pre-empt or prevent financial problems.

Using financial governance to monitor strategy.

Management accounting skill sets:

What are the characteristics of an effective management accountant?

How can these skills be used to prevent and/or deal with problems?

Effective strategies and systems:

The development of strategies and systems which require effective and timely reporting, full disclosure of financial positions and are responsibly owned and governed.

Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
LO1 Demonstrate an understanding of management accounting systems		D1 Critically evaluate how management accounting systems and management accounting reporting is integrated within organisational processes.
P1 Explain management accounting and give the essential requirements of different types of management accounting systems. P2 Explain different methods used for management accounting reporting.	M1 Evaluate the benefits of management accounting systems and their application within an organisational context.	
LO2 Apply a range of management accounting techniques		D2 Produce financial reports that accurately apply and interpret data for a range of business activities.
P3 Calculate costs using appropriate techniques of cost analysis to prepare an income statement using marginal and absorption costs.	M2 Accurately apply a range of management accounting techniques and produce appropriate financial reporting documents.	
LO3 Explain the use of planning tools used in management accounting		LO3 and LO4 D3 Evaluate how planning tools for accounting respond appropriately to solving financial problems to lead organisations to sustainable success.
P4 Explain the advantages and disadvantages of different types of planning tools used for budgetary control.	M3 Analyse the use of different planning tools and their application for preparing budgets and forecasts.	
LO4 Compare ways in which organisations could use management accounting to respond to financial problems		
P5 Compare how organisations are adapting management accounting systems to respond to financial problems.	M4 Analyse how, in responding to financial problems, management accounting can lead organisations to sustainable success.	

Recommended Resources

Textbooks

DRURY, C. (2015) *Management and Cost Accounting*. 9th Ed. Cengage Learning.

EDMONDS, T. and OLDS, P. (2013) *Fundamental Managerial Accounting Concepts*. 7th Ed. Maidenhead: McGraw-Hill.

HORNGREN, C., SUNDEN, G., STRATTON, W., BURGSTALLER, D. and SCHATZBERG, J. (2013) *Introduction to Management Accounting*. Global Ed. Harlow: Pearson.
(This text is available electronically and is supported by access to an online course)

SEAL, W. et al (2014) *Management Accounting*. 5th Ed. Maidenhead: McGraw-Hill.

Links

This unit links to the following related units:

Unit 10: Financial Accounting

Unit 13: Financial Reporting

Unit 14: Advanced Management Accounting

Unit 15: Financial Management

Unit 29: Managing and Running a Small Business