

CPA FOUNDATION: MANAGEMENT ACCOUNTING

Aim

On completion of this module, students will be able to draw evidence-based conclusions from management accounting and costing data and communicate these effectively to specialists and non-specialists. The tools of management accounting are key to unlocking value from real-time data from which insightful information on past performance is obtained; current trends identified, and future outcomes are modelled, enabling optimal decision-making.

Management Accounting as an Integral Part of the Syllabus

This module is a necessary prerequisite for the subsequent study of Performance Management and Data Analytics for Finance.

Syllabus and Subject Dependencies

LEVEL	SUBJECT					
CPA Foundation	Financial Accounting	Management Fundamentals	Taxation		Management Accounting	
CPA Professional	Financial Reporting	Corporate Law	Advanced Taxation	Audit & Assurance	Performance Management	Managerial Finance
CPA Strategic	Advanced Financial Reporting	Strategy & Leadership	Advanced Tax Strategy	Advanced Audit & Assurance	Data Analytics for Finance	Strategic Corporate Finance

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Discuss the role of management accounting in providing relevant information for decision making purposes
- Apply a range of costing techniques and analyse the results
- Prepare and interpret information for decision-making
- Discuss budgeting in the context of planning and control and prepare cash and functional budgets
- Assess and interpret organisational performance using variance analysis
- Present qualitative and quantitative information for decision-making and analysis in a form appropriate to the intended decision-maker.

Indicative Syllabus

		Competency Level
Role of Management Accounting for Decision Making	<ul style="list-style-type: none"> Nature & scope of management accounting Relationship between management & financial accounting Role of the management accountant & ethical considerations Drivers of management accounting change 	1 1 1 1
Cost Classifications, Accumulation & Assignment. Costing Systems & Cost Reporting	<ul style="list-style-type: none"> Cost classifications Accounting for materials Accounting for labour Accounting for overheads Job, batch & service costing Process costing Marginal / variable costing Lean manufacturing & throughput accounting Activity based costing (ABC) Comparison of absorption and activity-based costing 	2 2 2 2 2 2 2 2 2 2
Statistics and Data Analytics Techniques	<ul style="list-style-type: none"> Sampling and statistical inference Mean, median, mode, and standard deviation. Moving averages and regression analysis. 	2 2 2
Information for Decision Making	<ul style="list-style-type: none"> Cost behaviour patterns Relevant, sunk, committed & opportunity costs Break-even, cost volume profit analysis, contribution Margin of safety Sensitivity analysis Decision making with a single limiting factor Qualitative factors relevant to decision making 	2 2 2 2 2 2 2
Planning & Control	<ul style="list-style-type: none"> Organisational planning & management control systems The role of budgeting Functional budgets Behavioural & motivational issues in budgeting 	1 2 2 1
Analysing Performance	<ul style="list-style-type: none"> Setting standard costs Use of standard costs & variance analysis Revenue, cost and resource variances 	2 2 2

Learning Guide

The role of management accounting in providing relevant information for decision making

- Discuss the nature and scope of management accounting
 - Explain the relationship between management accounting and financial accounting
 - Outline and explain the role of the Management Accountant including the recognition of ethical issues as they arise
 - Identify and explain the drivers of management accounting change
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Cost classifications, accumulation and assignment. Costing systems and cost reporting

- Define and illustrate cost objects and assign costs to them. Define and distinguish between variable costs, semi variable costs and fixed costs
 - Explain and apply accounting for materials: inventory valuation approaches (FIFO; LIFO and AVCO); EOQ and JIT
 - Describe and apply accounting for labour: remuneration methods; incentive schemes; productivity
 - Describe and apply accounting for overheads using absorption costing
 - Understand and apply job, batch and service costing.
 - Explain and apply process costing for single products, using equivalent units calculations under both FIFO and Weighted Average systems; process costing ledger accounts
 - Explain and apply marginal / variable costing and the importance of contribution for decision-making
 - Explain and apply lean manufacturing and throughput accounting
 - Discuss and apply Activity Based Costing (ABC)
 - Critically compare absorption costing and ABC
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Statistics and Data Analytics Techniques

- Explain the concept of statistical inference and the relationship to sample size and sampling methods
 - Calculate the mean, median, mode, and standard deviation of a data set
 - Describe the characteristics of a normal distribution
 - Create a scatter diagram depicting a set of data
 - Using Linear Regression derive the line of best fit and explain the limitations of this method
 - Explain the concepts of Correlation Coefficient and Coefficient of Determination
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Information for decision-making

- Analyse and explain cost behaviour patterns and identify fixed/variable elements in a cost using High/ Low method, scatter-graphs and regression analysis
 - Identify and explain relevant, sunk, committed and opportunity costs
 - Apply break-even, cost volume profit analysis & contribution analysis.
 - Explain and calculate margin of safety
 - Explain and apply sensitivity analysis
 - Explain and perform decision making with a single limiting factor
 - Identify the Qualitative factors relevant to decision making
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Planning and control

- Explain how planning and management control mechanisms might assist organisations in their decision making
 - Discuss the role of budgeting including alternative budgeting systems (fixed, flexible, incremental and zero based budgeting (ZBB) and apply to budget preparation scenarios.
 - Explain and prepare functional Budgets
 - Analyse and discuss behavioural and motivational issues in budgetary processes
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Analysing performance

- Discuss setting standard costs
 - Explain and apply standard costs and variance analysis
 - Calculate and interpret revenue, cost and resource variances
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Learning Resources

Core Texts

Burns, Quinn, Warren, Oliveira / Management Accounting / McGraw-Hill Education / Europe, Middle East & Africa; UK edition (2013) ISBN-13: 978-0077121617

Supplementary Reading

Drury / Cost and Management Accounting 9th Edition / Cengage 2018 / ISBN 9781473749054