# Management Accounting

### Course Outline

**Title:** Management Accounting  
**Abbreviation and Number:** ACCA310  
**School:** Business  
**Department:** Accounting  
**Credits:** 3  
**Course Sequence:** (X) Fall  
**Hours Per Week:** (3) Lecture  
**Pre-requisite(s):** ACCA205 or permission of Instructor/Chair

## Course Description

Students are to a variety of accounting information for managerial decision making in service and manufacturing organisations. Concepts of management accounting, cost behaviour, purpose and role in the decision-making process are covered, enabling students to generate and implement various budget models.

## Specific Objectives

Upon successful completion of this course students will be able to:

1. demonstrate an understanding of the impact of management accounting on strategic management policies and decision making;
2. differentiate between the roles of financial and management accountants;
3. analyse cost behaviour patterns that are necessary to make short and long term decisions;
4. classify different types of budgets, the budgetary cycle, and their importance in decision making;
5. develop relevant budgets to make decisions;
6. generate income statements using absorption or variable costing techniques;
7. apply job-order and process costing techniques; and
8. evaluate capital projects using various accounting models.

## Course Content

### I. Managerial Accounting and the Organisation

- **A. Users**
- **B. Cost-benefit and behavioural issues involved in designing an accounting system**
- **C. Role of budgets and performance reports in planning and control**
- **D. Accountant’s role in the company’s value-chain functions**
- **E. Functions of controllers, treasurers and current trends**
- **F. Management accountant’s ethical responsibilities**

### II. Introduction to Cost Behaviour and Cost-Volume-Profit Relationships

- **A. Direct and indirect costs**
- **B. Effect of cost drivers**
- **C. Effect of cost-driver activity levels on variable and fixed costs**
- **D. Break-even sales volume in total dollars and total units**
- **E. Sales volume in total dollars and total units needed to reach a target profit**
- **F. Contribution margin versus gross margin**
- **G. Sales mix and profits**
- **H. Taxes**
- **I. Applications**
III. Measurement of Cost Behaviour
   A. Step and mixed costs
   B. Management influence
   C. Cost functions to predict cost
   D. Activity analysis
   E. High-low, visual-fit and least-squares regression methods
   F. Management decision making

IV. Cost Management Systems and Activity-Based Costing
   A. Cost
      i. Objective
      ii. Accumulation
      iii. Allocation
   B. Financial statements of manufacturers and merchandisers
   C. Manufacturer’s income statements
      i. Absorption method
      ii. Contribution method
   D. Design and implementation
   E. Non-value-added activities by just in time (JIT) systems

V. Marketing Decision
   A. Relevant and irrelevant information
   B. Contribution approach to accept or reject a special order
   C. Add or delete a product line
   D. Profitability when production is constrained by a scarce resource
   E. Pricing
   F. Target sales price
   G. Target costing in deciding whether to add a new product

VI. Production Decisions
   A. Opportunity costs analysis
   B. Make or buy decisions
   C. Joint products – selling at split-off point or processing further
   D. Effects of unit costs
   E. Performance measures

VII. Master Budget
   A. Features
   B. Preparation
   C. Sales and other cost drivers
   D. Operating budget
   E. Sales forecasting
   F. Human relations
VIII. Capital Budgeting
   A. Net present value (NPV)
   B. Sensitivity analysis
   C. Disposal of assets
   D. Inflation
   E. Payback and accounting rate-of-return

IX. Activity-Based Costing
   A. Purposes
   B. Allocating costs
      i. Variable
      ii. Fixed
      iii. Central
   C. Direct and step-down methods of allocating service department costs
   D. Methods of allocating costs to products and services
   E. Allocating costs in a modern manufacturing environment
   F. Allocating joint product costs to product
      i. Physical-units
      ii. Relative sales value methods
   G. Allocating costs for planning and control

X. Job-Costing Systems
   A. Journal entries
   B. Budgeted and actual factory-overhead rates applied to production
   C. Cost drivers for overhead application
   D. Meaning and purpose of normalised overhead rates
   E. Activity-based costing system in a job order environment
   F. Job costing in service organisations
   G. Tracking the flow of costs to products

ASSESSMENT
Assignments ................................................. 10%
Case Study.................................................... 10%
In class tests.................................................. 40%
Final examination.......................................... 40%
TOTAL .........................................................100%

REQUIRED TEXT

SUPPLEMENTARY READINGS/MATERIALS
Title: Management Accounting  
Abbreviation and Number: ACCA310


**JOURNALS**
- Accounting Today
- Business Week
- C.P.A. Journal
- Fortune 500
- Journal of Accountancy
- The Economist

**WEBSITE**
- [www.myaccountinglab.com](http://www.myaccountinglab.com)