

8.10 Management Accounting

The student is introduced to

- The nature and scope of management accounting
- The relationship of management accounting to financial accounting
- The role of management accounting in an organisation
- Cost classifications
 - Manufacturing and non-manufacturing costs
 - Direct and indirect costs
 - Product costs and period costs
 - Fixed and variable costs
 - Mixed, step-fixed and step-variable costs (HL)
 - Controllable and uncontrollable costs (HL)
 - Product costing
 - CostVolumeProfit Analysis: concept of contribution, break- even point, margin of safety, break-even charts, limitations
 - Sensitivity analysis (HL)

Budgetary Planning and Control

- Nature, objectives and advantages of budgeting
- Role of line management in budget formulation and the
- Identification of the principal budget factor
- Preparation of the master budget and supporting subsidiary
- budgets, including sales, production, raw materials,
- purchases, direct labour, factory overhead, non-factory
- expense and closing stock budgets. Cash budgeting.
- Budgeted profit and loss account and balance sheet
- Comparison of actual with budget
- Flexible budgeting (HL).

On completion the student should

- Be able to define management accounting and outline its relationship to financial accounting
- Be able to discuss the different types of cost behaviour patterns that can arise in an organisation
- Be able to compute break-even points, contribution margin and margin of safety, and to draw a break-even chart
- Be able to compute the cost of a product
- Be able to prepare a master budget together with subsidiary budgets
- Be able to outline the importance of budgetary control in an organisation (HL)