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**Prescription: 602 Management Accounting**


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**Elective prescription**

<b>Level</b>	6
<b>Credit</b>	20
<b>Version</b>	3
<b>Aim</b>	Students will collect, interpret, present and use relevant management accounting information for an organisation to effectively plan, control and make appropriate decisions regarding business operations.
<b>Prerequisites</b>	500 <i>Accounting Principles</i> or equivalent knowledge and skills.
<b>Recommended prior knowledge</b>	501 <i>Accounting Practices</i> or equivalent knowledge and skills.

**Assessment weightings**

Learning outcomes	Assessment weighting %
1. Students will evaluate and apply cost systems for manufacturing and service entities.	45
2. Students will use management accounting tools to plan, measure and control business operations.	35
3. Students will use management accounting information for decision-making.	20
<b>Total</b>	<b>100</b>

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

**Assessment notes**

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.

**Learning outcome one**

Students will evaluate and apply cost systems for manufacturing and service entities.

Key elements:

- a) Types of costs:
  - direct and indirect
  - variable, fixed and a combination of both
  - period and product.
- b) Compare and contrast absorption and variable costing.
- c) Evaluate the nature and purpose of costing systems:
  - standard costing
  - activity-based costing
  - job order costing
  - process costing.
- d) Apply costing systems for manufacturing entities and analyse results:
  - standard costing
  - activity-based costing
  - job order costing
  - process costing.
- e) Apply a costing system for a service entity and analyse results.

**Learning outcome two**

Students will explain the role of management accounting and use management accounting tools to plan, measure and control business operations.

Key elements:

- a) The role of management accounting in strategic planning.
- b) Budgets using spread sheet software:
  - sales budget
  - production budget
  - income statement
  - balance sheet
  - cash budget.
- c) Budgets for control:
  - evaluate variance analysis and report to management
  - re-forecast budgets using a 'what if' scenario
  - price and quantity variances for production budgets
  - flexible budget.
- d) Application of performance measures:
  - non-financial indicators
  - benchmarking
  - balanced scorecard.
- e) Inventory management and planning:
  - Just In Time (JIT)
  - Economic Order Quantity (EOQ).

**Learning outcome three**

Students will use management accounting information for decision-making.

Key elements:

- a) Relevant costs (including opportunity and sunk costs) for at least two of the following decisions:
  - adding or discontinuing a product line or segment
  - joint costs and by-products
  - special orders
  - make or buy.
  
- b) Cost Volume Profit (CVP)
  - multiple products
  - limitations.
  
- c) Pricing decisions:
  - quantitative factors
  - qualitative factors including two of:
    - inherent uncertainties
    - environmental
    - state of the economy
    - human element.

**Status information and last date for assessment for superseded versions**

<b>Process</b>	<b>Version</b>	<b>Date</b>	<b>Last Date for Assessment</b>
Introduced	1	2006	31 October 2014
Review	2	October 2012	31 December 2017
Revision	3	June 2016	31 December 2020