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## **PRESCRIPTION: 202 MANAGEMENT ACCOUNTING**

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Last date for assessing this prescription is 31 December 2008

**INTRODUCED** 1987  
**REVISED** 1995  
2001 (Implemented Semester One 2002)

**An individual student cannot credit more than one of the papers 202 Management Accounting, 204 Management Accounting for Managers and 280 Management Accounting for the Hospitality Industry to a New Zealand Diploma in Business.**

### **AIM OF SUBJECT**

To enable students to collect, interpret and present relevant information that managers of organisations need to plan, control and make decisions about their operations.

### **ASSUMED PRIOR KNOWLEDGE**

A level of knowledge as provided by the NZDipBus papers 100 Accounting Principles and 101 Accounting Practices.

### **COURSE LENGTH**

The equivalent of 20 National Qualifications Framework credits, with a minimum of 60 class contact hours or the equivalent for open learning/distance tuition.

### **RESOURCES**

*Suggested Student References (Latest Editions of)*

Garrison, Ray H. and Noreen Eric W. Managerial accounting. Boston: Irwin/McGraw-Hill. Latest ed.

New Zealand Society of Accountants. (1994) Accounting for inventories. Wellington: New Zealand Society of Accountants. (Financial reporting standard, no. 4)

*Suggested Tutor References*

Atkinson, Anthony A. and others. Management accounting. Upper Saddle River, NJ:Prentice-Hall International. Latest edition.

Drury, Colin. Management and cost accounting. London: Business Press. Latest edition.

Langfield-Smith Kim, Thorne, Helen and Hilton, Ronald W. Management accounting: an Australian perspective. Sydney: McGraw-Hill. Latest edition.

Teoh, Hai Yap, and Funnell, Warwick N. Management accounting: an annotated manual. Sydney: Butterworths. Latest edition.

Hornigren, Charles T., Foster, George and Datar, Srikant M. Cost accounting: a managerial emphasis. Upper Saddle River, NJ: Prentice-Hall. Latest edition.

Chartered accountants journal of New Zealand. Wellington: Institute of Chartered Accountants of New Zealand. 11 issues a year.

## TIME AND ASSESSMENT SCHEDULE

The prescription assumes a RCAP model of assessment (R = recall, C = comprehension, A = application, P = problem solving). In assessing the prescription it is expected that, in general, assessment will be of the ability of students to apply the learning outcomes and to undertake problem solving within the course material. Assessment of comprehension should be undertaken only where it is appropriate. Assessment of recall is implicit.

TOPICS	Time in hours	Assessment Weightings (%)	
		min	max
1 The Management Accounting Environment	6	8	12
2 Costing Systems	20	30	40
3 Planning and Control Systems	20	30	40
4 Accounting Information for Decision Making	14	20	25
	<b>TOTAL</b>	60	100%

This schedule is a recommendation and guide for tutors, examiners, and students. It gives:

- 1 an approximate allocation of class contact time by topic
- 2 an approximate allocation of assessment in percentages by topic.

### Special Note

Students should be encouraged to view management accounting as a dynamic field of study, driven by the needs of managers. These management needs are continually evolving and therefore management accounting techniques must be continually reviewed in terms of their relevance both to present-day reality and to individual New Zealand businesses. Due to changing business demographics, an increasing emphasis on non manufacturing (ie service, merchandising, not-for-profit) organisations is expected. This means that a conceptual understanding of techniques, including a clear appreciation of the assumptions upon which each technique is based, is more important to students than the ability to merely apply techniques in a step-by-step fashion.

## TOPICS

### 1 THE MANAGEMENT ACCOUNTING ENVIRONMENT

#### *Learning Outcome*

Students who have fulfilled all requirements for this topic understand how management accountants contribute to the management process.

#### *Assessment Criteria*

Students will be expected to:

- 1.1 Identify the similarities and differences between management accounting and financial accounting.
- 1.2 Outline the planning and control process and define the role of the management accountant.
- 1.3 Illustrate and discuss the concept of different costs for different purposes.
- 1.4 Discuss the need to assess the benefits of information against the costs of providing it.

### 2 COSTING SYSTEMS

#### *Learning Outcome*

Students who have fulfilled all requirements for this topic are able to select and develop an appropriate costing system and use data to generate costing information.

#### *Assessment Criteria*

Students will be expected to:

- 2.1 Outline the flow of costs in both manufacturing and service firms taking into consideration the relevance of costs within the value chain.
- 2.2 Compare indirect with direct costs and distinguish between actual and normal costing.
- 2.3 Discuss the importance of choosing appropriate cost drivers to apply overhead.
- 2.4 Allocate service department costs to production departments.
- 2.5 Accumulate and account for product costs under both job costing and weighted average process costing systems.

- 2.6 Contrast variable costing with absorption costing.
- 2.7 Explain the factors that gave rise to activity-based costing
- 2.8 Illustrate how activity-based costing could be applied.

### **3 PLANNING AND CONTROL SYSTEMS**

#### *Learning Outcome*

Students who have fulfilled all requirements for this topic are able to specify and implement suitable systems to plan and control the operations of an organisation.

#### *Assessment Criteria*

Students will be expected to:

- 3.1 Construct a set of budgeted financial statements as appropriate to the needs of the particular organisation,
- 3.2 Apply standards in a single product costing situation and calculate and interpret the variances.
- 3.3 Comment on the impact of budgetary and standard systems on organisational behaviour.
- 3.4 Illustrate how activity level changes will affect cost behaviour in the preparation of performance reports
- 3.5 Compare inventory management systems such as EOQ, MRP and JIT, with due consideration to quality issues.
- 3.6 Describe approaches to performance measurement including the use of non-financial indicators, benchmarking and the balanced scorecard.
- 3.7 Discuss the significance of cost management systems and strategic management accounting

### **4 ACCOUNTING INFORMATION FOR DECISION MAKING**

#### *Learning Outcome*

Students who have fulfilled all requirements for this topic are able to use management accounting information for decision making.

### *Assessment Criteria*

Students will be expected to:

- 4.1 Apply cost-volume-profit analysis in both single and multiple product situations, with an understanding of the limiting assumptions upon which CVP analysis is based.
- 4.2 Calculate optimal solutions to problems concerning relevant costs and revenue.
- 4.3 Discuss the qualitative aspects of decision making.
- 4.4 Understand the qualitative and quantitative factors that affect pricing decisions.

### **TEACHING NOTES**

The development and use of case studies as a way of teaching and assessment is to be encouraged.

- 2.3 Students will be expected to apply different methods such as predetermined overhead rates.
- 2.5 Opening and closing inventory may be omitted from work in progress in process costing.

In topic 3, the Purposes and processes of budgeting are covered in the NZDipBus paper 100 Accounting Principles, and a quick review of this should take place.

- 3.2 The following variances are to be covered:
  - material price
  - materials usage
  - labour rate
  - labour efficiency
  - variable spending
  - variable efficiency.
- 3.6 The purpose of this topic is to provide an introduction only to non-financial performance measurements.
- 4.1 Breakeven and contribution are covered in 100 Accounting Principles - but does not stop the revisiting of it here
- 4.2 Alternatives for this topic may include one or more of the following:
  - adding or discontinuing a product line or segment
  - joint costs and by products
  - special orders
  - make or buy.

