M5 – ADVANCED MANAGEMENT ACCOUNTING

(Managerial Level-2)

Practical Industry Knowledge (PIK) Stream

INTRODUCTION

This course is designed to focus on the identification and application of advanced management accounting techniques for decision-making in a specific area. This course also enables the management accountant to identify the deviation during performance measurement of cost centres, revenue and profit centres for taking remedial action of the management.

OBJECTIVE

To provide the students with an in-depth knowledge of management accounting, to enable them to:

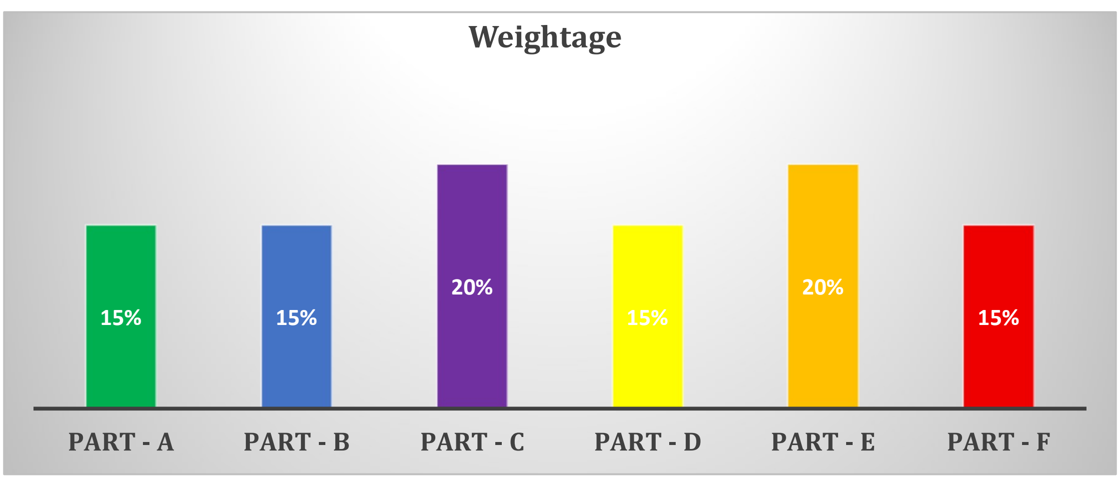
- Apply management accounting techniques for analysing the information, and presenting it to management for decision-making and control purposes, and
- Formulate strategic plans for achieving efficiency and effectiveness in the operation of business.

LEARNING OUTCOMES

On completion of this course, students will be able to:

- Comprehend the purpose of forecasting, planning and budgeting;
- Perform regression analysis, identify components of time series;
- Identify steps in budget preparation and get acquainted with the different types of budgets;
- Realize the uses of standard costing and variances analysis;
- Comprehend capital investment decisions and calculate NPV and IRR and discounted payback period;
- Calculate sensitivity of a project;
- Calculate breakeven point and apply breakeven analysis
- Prioritise projects that mutually exclusive, involve unequal lives and are subject to capital rationing;
- Differentiate between absorption and ABC costing and realize the reasons for the development of ABC;
- Apply the modern costing techniques including activity-based costing, throughput and back flush accounting and environmental costing for better decision making,
- Calculate working capital, working capital ratios, cash flows and profit;
- Realize the importance of cash flow and working capital management

SYLLABUS CONTENTS



PART - A
FORECASTING AND BUDGETING TECHNIQUES

1. **Forecasts**
   - Forecasting using historical data
   - Sales forecasting
   - Regression and forecasting
   - Finding the seasonal variations
   - Time series analysis and forecasting Using spreadsheet packages to build business models

2. **Budgeting**
   - Steps in Budget preparation
   - Functional budgets
   - Budgetary Planning and Control system
   - Sales Budgets
   - Production Budget and related budgets
   - Cash Budgets
   - Master Budgets
   - Capital Monitoring procedures
   - Fix and flexible budgets (static/planning budget and Flexible budget)
   - Preparation of projected profit and loss account and balance sheet

3. **Budgetary Control**
   - Flexible Budgets and Budgetary Control
   - Using Spread sheets to build business models
   - Rolling Budgets
   - Use of Budgets as Targets

PART - B
STANDARD COSTING AND VARIANCE ANALYSIS

4. **Standard Costing**
   - Uses of Standard costing
   - Setting standard in service industries
   - Comparison of budget and standard

5. **Variance Analysis, Interpretation and Profit Reconciliation**
   - Variances
   - Direct material cost variances
   - Direct labour cost variances
   - Variable overhead variances
   - Fixed overhead variances
   - Planning and operational variances
   - Sales variances
   - Variances in a standard marginal costing
   - Working backwards approach to variance analysis
   - Investigate variance or not to investigate variance
   - Interpreting variances
   - Profit reconciliation (standard absorption costing and standard marginal costing systems)

PART - C
PROJECT APPRAISAL METHODS

6. **Capital Investment decisions**
   - Process of investment decision making
   - Payback Method

7. **DCF techniques of investment appraisal**
   - Discounted payback
   - The net present value method
   - The internal rate of return method
   - NPV and IRR compared

8. **Taking account of taxation and inflation**
   - Allowing for inflation (Adjusting cash flows for inflation)

9. **Additional aspects of investment decision making**
   - Mutually exclusive projects with unequal lives
   - Asset replacement
   - Project abandonment
   - Capital rationing
   - Sensitivity analysis
   - Probability analysis and long-term decisions

PART - D
COST ANALYSIS

10. **Break Even Analysis**
    - Breakeven Analysis and Contribution Margin
    - Breakeven Point in units and value for single product
    - Contribution/Sales (C/S) Ratio
    - Limitation of Breakeven analysis

11. **Limiting factor Analysis**
    - Limiting factors
    - Limiting factor analysis and restricted freedom of action
    - Optimum production plan with scarce recourses
    - Make or buy decisions and scarce resources
    - Limiting factors and shadow prices
    - Using limiting factors analysis
    - Sell or process further decisions
    - Accept or reject special orders
    - Dropping a product line or a segment of business

PART - E
MODERN COSTING TECHNIQUES

12. **Marginal Cost Analysis**
    - Marginal Costing as a tool for business decision making
    - Concept of marginal cost and total cost with respect to business decision making

13. Activity Based Costing

- Reasons for the development of ABC
- Outline of an ABC system
- Absorption costing versus ABC
- Marginal costing versus ABC
- Benefits of ABC system

14. Throughput and Back flush Accounting

- The theory of constraints (TOC)
- Throughput accounting

15. Environmental costing

- The importance of environmental costs
- Environmental footprints
- Types of cost
- Environmental cost accounting

PART - F
MANAGING SHORT-TERM FINANCE

16. Working Capital Management

- Working capital

17. Cash Management

- Trade payables as a source of finance
- Export finance
- Cash surpluses
- Cash investments: bank and building society accounts
- Marketable securities: prices and interest rates
- Other types of investment

18. Receivables & Payables Management

- Payments terms and settlement discounts
- Maintaining information on receivables
- Collecting debts

19. Inventory Management

- Managing inventories
- Inventory controls systems