S6 - STRATEGIC MANAGEMENT ACCOUNTING
(Strategic Level-2)
Practical Industry Knowledge (PIK) Stream

INTRODUCTION

This practical-focused course is designed for experienced finance and management professionals. It moves beyond theoretical concepts to concentrate on the application of advanced management accounting techniques for strategic decision-making, performance evaluation, and control in complex business environments. The curriculum is built around realistic scenarios, case studies, and strategic analysis that mirror the challenges faced by senior management accountants and business partners.

OBJECTIVE

To enable seasoned students to demonstrate their ability to:

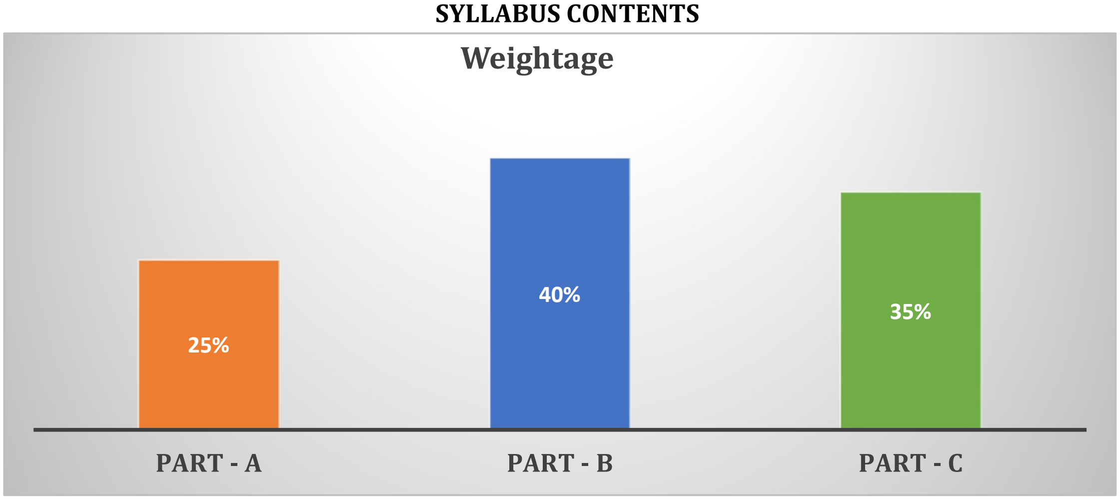
- **Apply** advanced cost management and performance measurement techniques to drive strategic advantage.
- **Analyze** complex business scenarios to support short-term and long-term decision-making.
- **Formulate** effective pricing strategies and transfer pricing policies.
- **Evaluate** organizational and divisional performance using a blend of financial and non-financial metrics.
- **Synthesize** information to provide actionable recommendations to management.

LEARNING OUTCOMES

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

- **Apply** modern cost planning techniques (e.g., Target Costing, Life Cycle Costing) to manage costs strategically.
- **Perform** advanced profitability analysis (e.g., Customer, Product, Channel) to guide strategic focus.
- **Evaluate** short-term business decisions using relevant costing principles under conditions of risk and uncertainty.
- **Utilize** linear programming and CVP analysis for optimal resource allocation and multi-product decision-making.
- **Recommend** appropriate pricing strategies and transfer prices to align divisional goals with corporate strategy.
- **Design** and **critique** performance management systems, including the Balanced Scorecard, for divisionalized businesses.

SYLLABUS CONTENTS



PART – A

STRATEGIC COST MANAGEMENT

1. Strategic Cost Planning & Analysis

- Target Costing in Practice: Calculating a target cost gap for a new product and recommending strategies to close it (e.g., value engineering, process improvement).
- Life Cycle Costing & Analysis: Preparing a life cycle cost report for a product or project and advising on management strategies at different phases.

- **Customer & Channel Profitability Analysis: [Key Practical Focus]**
  - Analyzing customer profitability statements to identify strategic vs. non-strategic customers.
  - Evaluating the profitability of different sales/distribution channels and recommending strategic actions.

2. **Modern Cost Management Techniques**
   - **Cost of Quality Analysis:** Calculating and analyzing the costs of conformance and non-conformance and advising management on the economic benefits of quality initiatives.
   - **Application of JIT & TQM Principles:** Analyzing operational data to identify waste and recommend improvements aligned with JIT and TQM philosophies.

PART – B
DECISION ANALYSIS & PRICING STRATEGY

3. **Short-Term Decision Making with Relevant Costs**
   - **Practical Application: [Key Practical Focus]**
     - Evaluating special order contracts, make-or-buy scenarios, and product line discontinuation decisions using relevant cost analysis.
     - Preparing a decision analysis report to support recommendations for management.

4. **Decision Making under Risk & Uncertainty**
   - **Applied Risk Analysis: Using expected** values, sensitivity analysis, and decision trees to evaluate project choices and quantify the value of perfect information in a business case.

5. **Resource Management & Optimization**
   - **Linear Programming for Optimization:** Formulating linear programming models from business constraints and using the graphical method to determine the optimal product mix for profit maximization.
   - **Multi-Product CVP & Breakeven Analysis:** Performing breakeven and profit analysis for a multi-product company and evaluating the impact of changes in sales mix on profitability.

6. **Strategic Pricing Decisions**
   - **Pricing Strategy Formulation: [Key Practical Focus]**
     - Analyzing market demand and cost data to recommend a profit-maximizing price using cost-plus and demand-based approaches.
     - Evaluating and recommending pricing strategies for a new product launch.

PART – C
PERFORMANCE MANAGEMENT & CONTROL

7. **Performance Measurement & Evaluation**
   - **The Balanced Scorecard in Practice:** Designing a strategy map and developing a set of integrated financial and non-financial performance indicators (KPIs) for a given business unit to ensure strategic alignment.
   - **Performance Evaluation in Service Industries:** Applying the "building block" model to evaluate the performance of a service organization.

8. **Divisional Performance & Transfer Pricing**
   - **Divisional Performance Management: [Key Practical Focus]**
     - Calculating and critically evaluating ROI, RI, and EVA for a division.
     - Analyzing the behavioral implications of these measures on managerial decision-making.
   - **Transfer Pricing Policy:** Determining and recommending an optimal transfer price in various scenarios (e.g., available market price, no market, spare capacity). Analyzing the impact of transfer pricing on divisional and corporate performance.