

# **Unit 14: Advanced Management Accounting**

**Unit code** Y/508/0537

**Unit level** 5

**Credit value** 15

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## **Introduction**

The overall aim of this unit is to develop students' understanding of management accounting. The focus of this unit is on critiquing management accounting techniques and using management accounting to evaluate company performance. Students will explore how the decisions taken through the use of management accounting techniques influence managerial behaviour across an organisation.

On successful completion of this unit students will be in a position to support an organisation to create value through effective decision-making where management accounting is used, to some degree, to control members of an organisation. In addition, students will have the fundamental knowledge and skills to progress on to a higher level of study.

## **Learning Outcomes**

By the end of this unit students will be able to:

- 1 Analyse the purpose for developing and presenting financial information.
- 2 Evaluate the use of management accounting techniques to support organisational performance.
- 3 Analyse actual and standard costs to control and correct variances.
- 4 Evaluate how a changing business environment impacts on management accounting.

## Essential Content

### LO1 **Analyse the purpose for developing and presenting financial information**

#### *Users of financial information:*

This would include investors, senior management, banks and government.

#### *Developing financial statements:*

Critiquing why financial information should be developed into statements.

The value of financial statements in support of a financial plan and decision-making.

#### *Presenting financial information:*

Critiquing the use of profit and loss statements, trial balances, cash flow statements and balance sheets as methods to present financial information.

### LO2 **Evaluate the use of management accounting techniques to support organisational performance**

#### *Microeconomic techniques:*

These would include cost analysis, cost-volume profit, flexible budgeting and cost variances. Also consider absorption and marginal costing.

#### *Cost allocation:*

Considering the theoretical aspects as well as how this is applied in practice.

#### *Capital and capital budgeting:*

The meaning behind these terms will be discussed, their importance and their use. Techniques include Net Present Value (NPV), Internal Rate of Return (IRR), Discounted Cash Flow (DCF) and pay back periods.

### LO3 **Analyse actual and standard costs to control and correct variances**

#### *Actual costs:*

What does this mean?

How is actual cost determined?

How does this differ to estimated or standard costs?

#### *Standard costs:*

What does this mean?

How is standard cost determined?

How does estimating standard costs result in variances?

*Variances:*

Variance analysis as a concept and a technique.

Negative and positive variances.

How can a negative variance be considered a positive and vice versa?

*Controlling and correcting variances:*

Integrating variance analysis into budget monitoring across an organisation.

Reporting systems for monitoring and controlling variances.

Schedule variance vs cost variance.

**LO4 Evaluate how a changing business environment impacts on management accounting**

*Analysing changes to a business environment:*

Internal and external analysis techniques.

Comparing the outcomes of analysis to inform decisions and to evaluate possible implications for management accounting.

*Impact of the business environment on management accounting systems:*

Using technology to enhance and support processes and procedures.

The role of improved communication within a system to expedite decision-making.

*Impact of change on management accounting systems:*

Determining the impact of different types of change.

Deciding how to respond to different types of change.

Ensuring effective communication and acceptance of change.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Analyse the purpose for developing and presenting financial information		<b>D1</b> Critically evaluate financial information supported by effective and appropriate judgements.
<b>P1</b> Analyse the purpose and presentation of financial information from the perspective of different stakeholders.	<b>M1</b> Evaluate how and why financial information should be developed and appropriately presented to support financial planning and decision-making.	
<b>LO2</b> Evaluate the use of management accounting techniques to support organisational performance		<b>LO2 &amp; 3</b> <b>D2</b> Critically evaluate the application of different accounting techniques and variances to support conclusions and recommendations.
<b>P2</b> Evaluate the use of different accounting microeconomic techniques in application to supporting organisational performance.	<b>M2</b> Evaluate the value and importance of a wide range of accounting techniques by assessing both advantages and disadvantages.	
<b>LO3</b> Analyse actual and standard costs to control and correct variances		
<b>P3</b> Analyse the concept of variance analysis in its importance for organisational budget control. <b>P4</b> Analyse actual and standard costs to control and correct variances.	<b>M3</b> Evaluate the advantages and disadvantages of different types of variances.	
<b>LO4</b> Evaluate how a changing business environment impacts on management accounting		<b>D3</b> Critically evaluate the impact of changes, and support justified recommendations for future communication and acceptance of change.
<b>P5</b> Evaluate how external and internal factors changing the business environment impact upon management accounting.	<b>M4</b> Determine the impact of different types of change and the decisions made to respond to these changes.	

## Recommended Resources

DRURY C. (2012) *Management and Cost Accounting*. 8th Ed. Boston: Cengage Learning.

EDMONDS, T. and OLDS, P. (2013) *Fundamental Managerial Accounting Concepts*. 7th Ed. Maidenhead: McGraw-Hill.

HORNGREN, C., SUNDEN, G., STRATTON, W., BURGSTHALER, D. and SCHATZBERG, J. (2013) *Introduction to Management Accounting*. (Global edition) Harlow: Pearson.

SEAL, W. et al (2014) *Management Accounting*. 5th Ed. Maidenhead :McGraw-Hill.

ZIMMERMAN, J. L. (2014) *Accounting for Decision-making and Control*, 8th Ed. New York: McGraw-Hill.

## Journals

*Journal of Business Finance and Accounting*

*Review of Finance and Accounting*

## Links

This unit links to the following related units:

*Unit 5: Management Accounting*

*Unit 10: Financial Accounting*

*Unit 13: Financial Reporting*

*Unit 15: Financial Management*