

Strategic Management Accounting
Professional - III

OBJECTIVES:

To provide the students with an in-depth knowledge of Management Accounting to enable them to:

- a) Apply its methods and techniques for preparing and presenting information for management decision-making and control purposes.
- b) Formulate strategic plans for achieving efficiency and effectiveness of the operation of the business.

ABILITY REQUIRED:

Professional knowledge and skills.

WEIGHTAGE

CONTENTS

10	1.	FOCUS ON DECISION MAKING: Perspective: cost-benefit and behavioural considerations, planning and control for product life cycles, adaptation to change, drivers, comparison of variable and fixed costs, cost volume profit analysis, additional uses of cost volume analysis, lowering the break even point, non-profit application, measurement of cost behaviour, variations of cost behaviour: management influence on cost behaviour.
10	2.	COST MANAGEMENT SYSTEM: Cost accounting for financial reporting, value added costing and just-in-time production, throughput accounting, activity based costing, accounting and management, identifying activities.
20	3.	DECISION MAKING MARKETING AND PRODUCTION: Resources and cost drivers, marketing decisions: meaning of relevance, the special sales order, deletion or addition of products or departments, optimal use of limited resources, role of costs in pricing decision influences on pricing, target costing, service companies, advantages of pricing decisions, cost based pricing, production decisions: opportunity, outlay & differential costs, make or buy decisions, joint product costs, irrelevance of past costs, sunk costs & government contracts, irrelevance of future costs, unit costs caution, conflicts between decision making and performance evaluation.
15	4.	MANAGEMENT PLANNING: Master budget: overall plan, budgets, & its benefit to the organisation, communication & co-ordination with budgeting in a high technology company, process of implementing a budget, anticipating human behaviour, financial planning models, activity based budgeting, flexible budgets and standards for control, bridge between static budgets and actual results, activity based flexible budgets, isolation of budget variances and their causes, flexible budget variances (comprehensive), overhead variances, variance accounting.

- 15 5. **MANAGEMENT ACCOUNTING FOR CONTROL:**
General approach, management control systems and responsibility accounting, management control systems and organisational goals and missions, designing management control systems, controllability and measurement of financial performance, non-financial measures of performance, measuring the cost of quality, management control systems in service, government and non-profit organisations, future of management control systems.
- 20 6. **CAPITAL BUDGETING:**
An introduction, focus on programmes or projects, discounted cash flow (DCF) models, use of DCF models, sensitivity analysis and assessment of risk in DCF models, the NPV comparison of two projects, other models for analysing long range decisions, performance evaluation, capital budgeting: taxes and inflation.
- 10 7. **SPECIAL ISSUES:**
Pricing: the impact of inflation, transfer pricing: sub-optimisation, cost reduction: cost areas, approaches, company statement of value added, deriving value added from management accounts, value added bonus schemes.

CORE READINGS:

AUTHORS:

PUBLISHER :

Introduction to Management Accounting

Charls T. Horngren, Gary L. Sundem & William O. Stratton

Prentice-Hall of India Pvt. Ltd., New Delhi-110001.

Royal Handbook of Management Accounting

Roger Cowe

Gower Publishing Co. Ltd.

ADDITIONAL READINGS:

Managerial Accounting

Lane K. Anderson, Harold M. Sollenberger

South Western Publishing Co.

Managerial Accounting

Ronald W. Hilton

Mc-Graw-Hill Companies Inc. Princeton Road, S-1 Hight Slown NJ08520, New York.

Managerial Accounting

T. Lucy

DP Publications Ltd. Aldyne place, 142-144, Uxbridge road, Shepherds, Bush Green, London W12 8AW.

Cost Accounting - Managerial Emphasis

Charles T. Horngren, George Foster & Srikant M. Datar

Prentice-Hall of India Pvt. Ltd., New Delhi-110001.