

Module Code:	BUS661
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Module Title:	Strategic Management Accounting
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Level:	6	Credit Value:	16
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Cost Centre(s):	GABP	JACS3 code:	N411
		HECOS code:	100836

Faculty:	FSLS	Module Leader:	Loke Eu Kong
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Scheduled learning and teaching hours	63 hrs
Guided independent study	97 hrs
Placement	0 hrs
Module duration (total hours)	160 hrs

Programme(s) in which to be offered (not including exit awards)	Core	Option
BSc (Hons) Finance & Accounting (Level 6 Top Up)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Pre-requisites
N/A

Office use only

Initial approval August 2018

Version no: 1

With effect from: 01/05/2019

Date and details of revision: Jan 2021 - Temporary change to assessment for 2020-21 due to Covid-19.

Version no: 3

Revised 24/09/2021 – Revert back to pre-Covid assessment

Module Aims

MA 1: To support the student's development of his/her ability to select and apply relevant financial techniques in supporting the management of a business or non-business organization, and to interpret and explain the results.

MA 2: To facilitate the acquisition by students of a balance of skills and knowledge including skills in applying quantitative techniques.

MA 3: To Inculcate the ability to interpret and explain the results of these calculations.

MA 4: To Inculcate the ability to critically evaluate the techniques; and a recognition that management accounting, like other areas of management, is context-dependent, and has to be put into the context of the particular organization and its own strategy, culture and management style.

Intended Learning Outcomes

Key skills for employability

KS1	Written, oral and media communication skills
KS2	Leadership, team working and networking skills
KS3	Opportunity, creativity and problem solving skills
KS4	Information technology skills and digital literacy
KS5	Information management skills
KS6	Research skills
KS7	Intercultural and sustainability skills
KS8	Career management skills
KS9	Learning to learn (managing personal and professional development, self-management)
KS10	Numeracy

At the end of this module, students will be able to		Key Skills	
1	Appraise the objectives of management accounting and its role as part of a business information system.	KS5	
2	Identify relevant costs and apply appropriate techniques for decision-making to management decision situations including those involving uncertainty and conflicting demands for resources.	KS3 KS10	
3	Critically evaluate the alternative methods available of transfer pricing within a divisionalized organization and evaluate their respective strengths and weaknesses on a range of alternative scenarios	KS3 KS10	
4	Identify potential multi-dimensional performance measures appropriate to a variety of business situations and recommend methods of implementation.	KS3 KS5 KS10	
5		KS5	

	Apply numerical techniques in discounting future cash flows, classification and collation of numerical data.	KS10	
6	Resolve problem presented in mini case studies, interpretive and evaluative reviews of relevance and application of numeric data to business scenarios	KS1	KS5
		KS2	KS9
		KS3	KS10

Transferable skills and other attributes

Type of Skill	Skills development	Method of assessment
Writing	Lecture & independent learning	Written exams, assignments
Communications	Class room interaction, presentation	Assignment
Problem solving skills	Presentation	Written exams, assignment

Derogations

None

Assessment:

Indicative Assessment Tasks:

1. Assignment – To ensure that students are able to handle major tasks that will require research and self-study to resolve problems presented in mini case studies.
2. Final exam – To test the knowledge of students that has completed all other assessments and understand the subject well enough

Assessment number	Learning Outcomes to be met	Type of assessment	Weighting (%)	Duration (if exam)	Word count (or equivalent if appropriate)
1	LO6	Assignment	40%*		1,200
2	LO1 – LO5	Final Exam	60%*	3 hrs	

* The changes to assessment components are subject to approval by the professional bodies (ACCA and CPA Australia) of which exemptions are granted to this bachelor program and the regulator of MQA.

Learning and Teaching Strategies:

Lecture, tutorial (team work / discussion)

Syllabus outline:

Management Accounting Fundamentals:

- Concepts and term
- Absorption costing
- Marginal costing
- Learning curve (LC) theory:
 - a) meaning & where does it apply
 - b) approaches (tabular; graphical & algebraic)
 - c) application of LC in standard costing (e.g. on direct labor costs, variable costs that varies with labor hours)
 - d) cost items that LC does not apply & its reasoning
 - e) relevance, limitation of LC in MA: quoting prices; budget preparations; drafting of standard costs
 - f) use in predicting product / service costs, including derivation of learning rate and index

Decision Making

- Relevant costs & revenue:
 - ability to identify & apply relevant as well as opportunity cost
- Special pricing decisions
- Limiting factor analysis
 - determine optimal plan of single limiting factor and / or multiple scarce resources using both graphical or simultaneous equations
 - Calculate shadow price, slack and explain their implication on decision making and performance management
- Make or buy decisions
- Discontinuation decisions
- Outsourcing
- Analyze & / or evaluate on outcomes using the above said approaches on the aspect of:
 - feasibility; savings, quality issues; utilization of capacity; competency; impact of government policies, other quantitative & qualitative factors

Decision Making: Under risk and uncertainty

- The meaning and nature & types of risk
- Probabilities & expected values:
 - assignment of probabilities to key variables in decision models
 - Decision rules: calculate & construction of payoff, maximin, maximax, minimax regret tables
 - analysis of probabilistic models & interpretation of distribution of project's outcome
- Decision trees:
 - construction of decision trees for multi-stage decision problems
 - meaning of rollback analysis; able to distinguish decision point and decision option & the rules applicable
 - Evaluation of the result from a decision tree
- Perfect information (PI):
 - definition
 - calculation & evaluate the value of PI & imperfect PI
- Sensitivity analysis (SA):
 - definition
 - calculation mechanism in sensitivity analysis & the interpretation of the outcome
 - discussion on SA approaches (e.g. what if analysis; linear programming; flexible budgeting; Monte Carlo simulation)

Decision Making: Investment Appraisal 1

- Payback:
 - calculation: constant & uneven annual cash flow; discounted payback
 - advantage, disadvantage, evaluation & / or recommendation
- Accounting rate of return (ARR or ROI):
 - calculation
 - advantage, disadvantage, evaluation & / or recommendation
- Net present value (NPV):
 - concept of time value of money (due to inflation, risk)
 - determination of cost of capital (WACC; CAPM)
 - advantage, disadvantage, evaluation & / or recommendation
- Internal rate of return (IRR):
 - meaning of IRR & how is it applied
 - calculation
 - advantage, disadvantage, evaluation & / or recommendation
- Methods of dealing with particular problems:
 - the use of annuities in comparing projects with unequal lives
 - profitability index in capital rationing situations
- Ability to analyze & evaluate the financial, non-financial & other qualitative & quantitative consequences of dealing with long run projects through preparation of decision support information (using payback, ARR, NPV & / or IRR)
- Application & evaluation of sensitivity analysis (i.e. the outcomes) to cash flow parameters, to identify those to which NPV is particularly sensitive

Decision Making: Investment Appraisal 2

- Computation & application of the principles of relevant cash flow analysis to long run projects
- NPV calculation incorporating:
 - dealing with corporation tax
 - dealing with capital allowances (tax depreciation) & written down value calculation
 - dealing with impact of capital allowance, balancing allowance / charge on appraisal computation
 - dealing with (slotting of) timing of the tax savings on capital allowances
 - dealing working capital requirements
 - dealing with impact of inflation
 - dealing with issue of real, nominal (money) rates term
- Ability to analyze & evaluate the financial, non-financial & other qualitative & quantitative consequences of dealing with long run projects through preparation of decision support information

Alternative modern costing

- Just in time (JIT):
 - definition
 - pull & push system
 - pre-requisite for JIT: high quality; speed; flexibility; lower costs
 - benefits & problems
 - linkage to Kaizan
 - Evaluation the impact of just-in-time production, theory of constraints, total quality management for decision making in the "new manufacturing environment"

- Evaluation & explain the concept of Kaizen costing & its relationship to continuous improvement
- Back flush accounting:
 - vs. traditional costing approach
 - how it works
 - advantage / disadvantage
 - linkage to other costing system (e.g. JIT) & use of it
- Throughput accounting (TA):
 - Definition & its link to theory of constraints (TOC)
 - Bottleneck resources
 - meaning & calculation of throughput contribution; return per factory hour; TA ratio
 - interpretation of the ratios
 - profit reporting, inventory valuation, various decision making & performance measure using TA approach
 - maximizing throughput
 - compare & contrast marginal, throughput & absorption accounting methods in respect of profit reporting & stock valuation
- Target costing:
 - definition
 - implementation steps
 - derive a target cost for product or services
- Life cycle costing:
 - definition
 - description on an example of cycle
 - product life cycle & link to life cycle costing
 - the importance early stage of the cycle & maximizing return over the life cycle of a product
 - discuss how the concept interact with marketing strategies at each level of the cycle
- Benchmarking (BM):
 - definition
 - types: internal; competitive; functional; strategic BM
 - process of BM
 - benefits & problems
 - ***analyze, interpret & evaluate internal & external BM results (including in the area of performance measures)***

Decision Making :Pricing

- Economic theory:
 - concept of price elasticity
 - application & discussion on elasticity of demand & impact on pricing & profit maximization in imperfect market
- Marketing theory:
 - application & discussion pricing strategies for different market segment: price skimming; premium pricing, penetration pricing; loss leader pricing; product bundling pricing; differentiation pricing
- Accounting price setting:
 - short run pricing
 - cost plus pricing
 - target pricing (link to target costing)
 - application of it
- Product life cycle:
 - the 4 phases
 - application of appropriate pricing strategy for the phases

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Performance Measurement: the computational aspects

- Concept of divisionalization
- Responsibility accounting
- Divisional financial performance measures:
 - Return on investment (ROI): profit after depreciation as % of net assets employed; profit after depreciation as % on gross asset employed; using average profit and average asset approach
 - Impact (financial as well as behavior) of ROI on new investments
- Residual income (RI):
 - definition
 - calculation of RI
 - discussion on strength & weaknesses
 - Impact (financial as well as behavior) of RI on new investments
- Economic value added (EVA^R)
 - concept behind it & formulae
 - impact of EVA on performance evaluation
- Discuss & evaluate the likely behavioral consequences of the use of performance metrics in managing costs, profit of an investment, cost or profit center

Performance Measurement: the theoretical & behavioral aspects

- Quantitative & qualitative measures
- Use of balanced scorecard in performance measurement:
 - the four perspectives
 - evaluate its role in minimizing short termism manipulation
 - application of BSC in situational scenario
- Performance pyramid
 - 3 main levels: strategic, management & operational
 - analysis of problems in organization & apply this pyramid concept to come up with solutions
- Performance prism:
 - 5 perspectives: stakeholders satisfaction; stakeholders contribution; strategies; processes; capabilities
 - analysis of problems in organization & apply the prism concept to come up with solutions
- Performance measurement in not for profit organization:

- definition & objectives
- complication faced in measuring performance
- value for money (VFM): 3Es (economy; efficiency; effectiveness)
- analysis of scenario & application of VFM
- Behavioral aspects of performance management:
 - measuring managerial performance
 - discuss & evaluate on controllable & non-controllable costs & its impact on performance related behaviorism controllability principle
 - reward schemes & associated problems

Performance Measurement: Transfer pricing (TP)

- Definition
- Purpose of transfer price
- Methods of TP:
market-based; marginal cost; full cost, cost-plus a mark-up; negotiated TP
- Conditions to apply the TP pricing options, advantages & disadvantages
- Various TP calculations
- Evaluate typical consequences of divisional structure & performance measurement when competition with other division (in the same group)
- Evaluate likely consequences of different TP approach on divisional decision making, divisional & group profitability, the motivation of division management & autonomy of individual division

Cost Management

- Quality:
 - Total Quality Management (TQM): definition; 3 basic principles; linkage to JIT or others
 - Quality related costs: preventive; appraisal; internal failure; external failure
 - Differentiate between conformance & non-conformance costs & how it is derived
 - Preparation of cost of quality report (including calculation)
- Value analysis
 - concept & purpose
 - compare & contrast value analysis & functional costs analysis
- Business Process Re-engineering (BPR):
 - definition
 - concept & how it works
 - application of BPR
- Value chain analysis (VCA):
 - primary & support activities
 - analyze, apply & evaluate of a chain using VCA approach in resolving problem

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Indicative Bibliography:

Essential reading

Drury, C. (2018). *Management & Cost Accounting*, 8th edition. London: South-Western Cengage Learning

Bhimani & Alnoor (2009). *Handbook of Management Accounting*. Singapore: CCH Asia Pte. Ltd.

Other indicative reading

(2015). ACCA Paper F5 Performance Management
UK: BPP Learning Media

(2014). CIMA P1 Performance Operations
UK: BPP Learning Media

Scarlett, B. (2008). CIMA P1 Management Accounting – Performance Evaluation
UK: Elsevier Ltd & CIMA Publishing

Wilks, Colin, Burke & Louise (2008). CIMA P2 Management Accounting – Decision Management
UK: Elsevier Ltd & CIMA Publishing