

26.3.0 MANAGERIAL ACCOUNTING

26.3.1 Introduction

This module unit is intended to equip the trainee with the necessary knowledge, skills and attitudes that will enable him/her analyze and interpret cost data for the purpose of decision making in an organisation

26.3.2 General Objectives

By the end of the module unit, the trainee should be able to:

- describe the methods used in estimating and forecasting costs
- explain the role of managerial accounting in decision making
- demonstrate the ability to carry out step-by-step process in solving decision making problems
- identify the role of performance evaluation in a supply business set-up
- describe the role of computers processing accounting information.

26.3.3 Module Unit Summary and Time Allocation

Code	Sub-Module Units	Content	Time (Hours)
26.3.01	Nature and Scope of Managerial Accounting	<ul style="list-style-type: none">• Definition of managerial accounting• The role of managerial accounting in production, marketing and finance• Differences between managerial accounting and financial accounting	2
26.3.02	Decision Tree	<ul style="list-style-type: none">• Definition of decision tree• The structure of decision trees• Use of decision tree	12
26.3.03	Cost Estimation	<ul style="list-style-type: none">• Definition of cost estimation• Cost estimation methods	18
26.3.04	Cost-Volume-Profit Analysis (C-V-P)	<ul style="list-style-type: none">• Definition of cost volume profit analysis• Terms used in cost volume profit (C-V-P)• Assumptions of C-V-P• Limitations of C-V-P analysis• Break Even Point (B-E-P)• Calculation of break -even point	10

Code	Sub-Module Units	Content	Time (Hours)
26.3.05	Marginal Costing	<ul style="list-style-type: none"> • Definition of marginal costing • Key factors in marginal costing • Decision-making using marginal costing 	12
26.3.06	Capital Expenditure Decisions ✓	<ul style="list-style-type: none"> • Nature of capital expenditure decision • Non-discounting cash flow techniques • Time value of money concept • Discounting cash flow methods • Benefits and limitations of each technique 	14
26.3.07	Transportation Techniques ✓	<ul style="list-style-type: none"> • Nature of transportation techniques • Requirements for application of transportation techniques • Transportation techniques 	14
26.3.08	Assignment Techniques ✓	<ul style="list-style-type: none"> • Nature of assignment techniques • Requirements for application of assignment techniques • Assignment techniques for minimizing and maximizing problems 	14
26.3.09	Queuing Theory	<ul style="list-style-type: none"> • Definition of a queue • Elements of a queue • Terms used in queuing Theory • Application of queuing Theory 	12
26.3.10	Performance Evaluation	<ul style="list-style-type: none"> • Definition of performance evaluation • Need for performance evaluation • Techniques for performance evaluation 	14
26.3.11	Budgeting and Budgetary Control	<ul style="list-style-type: none"> • Definition of budgeting and budgetary control • Preparation of functional budgets • Preparation of master budget 	14
26.3.12	Emerging Trends and Issues in Managerial Accounting	<ul style="list-style-type: none"> • Emerging trends and issues • Challenges posed by the emerging trends and issues • Ways of coping with the challenges 	4
Total			140

26.3.01	NATURE AND SCOPE OF MANAGERIAL ACCOUNTING	26.3.01T2	Role of managerial accounting in production, marketing and finance
	Theory	26.3.01T3	Difference between managerial accounting and financial accounting
26.3.01T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:		Practice
	a) define managerial accounting b) explain the role of managerial accounting in production, marketing and finance	26.3.01P	<i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to distinguish between managerial accounting and financial accounting
	c) explain the difference between managerial accounting and financial accounting.	26.3.01P1	<i>Content</i> Distinguishing between managerial accounting and financial accounting
26.3.01C	Competence The trainee should have the ability to distinguish between managerial accounting and financial accounting		<i>Suggested Teaching/Learning Resources</i> - Text books - - Professional magazines - Chalk/white boards
26.3.01I1	<i>Content</i> Definition of managerial accounting		<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Guest speaker

	<i>Suggested Evaluation Methods</i>	26.3.02T3	Uses of decision trees
	- Assignments		- The expected monetary values
	- Oral tests		- Decision making at various levels
	- Written reports		
26.3.02	DECISION TREE		
	Theory		Practice
26.3.02T	<i>Specific Objectives</i>	26.3.02P	<i>Specific Objectives</i>
	By the end of the sub-module unit, the trainee should be able to:		By the end of the sub-module unit, the trainee should be able to:
	a) define decision tree		a) draw a decision tree
	b) explain the structure of a decision tree		b) calculate the expected monetary values (EMV)
	c) explain the uses of decision trees in decision making.		c) make decision using the decision tree
26.3.02C	Competence	26.3.02P1	<i>Content</i>
	The trainee should have the ability to draw and use a decision tree to make business decisions	26.3.02P2	Drawing decision tree
		26.3.02P3	Calculation of expected monetary value
			Making decision making using the decision tree
26.3.02T1	<i>Content</i>		
	Definition of decision trees		<i>Suggested Teaching/Learning Resources</i>
26.3.02T2	Structure of a decision tree		- Text books
	- Symbols used		- Professional magazines
	- The forward pass		- Chalk/white boards
	- The backward pass		

	<p><i>Suggested Teaching/Learning Activities</i></p> <ul style="list-style-type: none"> - Discussion - Role playing - Question and answer - Note taking - Guest speaker 	26.3.03J2	<p>Cost estimation methods</p> <ul style="list-style-type: none"> - Engineering - Regression analysis - Accounts analysis - High-low - Learning curves <p>Practice</p>
26.3.03	<p>COST ESTIMATION</p> <p>Theory</p> <p><i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:</p> <ol style="list-style-type: none"> a) define cost estimation b) explain the cost estimation methods. 	26.3.03P	<p><i>Specific Objective</i> By the end of the sub-module unit, the trainee should be able to predict costs using the cost estimation methods</p> <p><i>Content</i> Predicting costs using the cost estimation methods</p> <p><i>Suggested Teaching/Learning Resources</i></p> <ul style="list-style-type: none"> - Text books - Professional magazines - Chalk/white boards
26.3.03T		26.3.03P1	
26.3.03C	<p>Competence The trainee should have the ability to ascertain the current costs and predict future costs in business</p>		<p><i>Suggested Teaching/Learning Activities</i></p> <ul style="list-style-type: none"> - Discussion - Question and answer - Note taking
26.3.03T1	<p><i>Content</i> Definition of cost estimation</p>		<p><i>Suggested Evaluation Methods</i></p> <ul style="list-style-type: none"> - Assignments - Written reports

26.3.04	COST-VOLUME-PROFIT (C-V-P) ANALYSIS	26.3.04T4	Limitations of C-V-P analysis
	Theory	26.3.04T5	Break Even Point (BEP)
		26.3.04T6	Calculation of BEP
26.3.04T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:		Practice
	a) define the term cost volume profit (C-V-P) analysis	26.3.04P	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:
	b) explain the terms used in C-V-P		a) calculate the contribution margin
	c) explain the assumptions of C-V-P		b) calculate the contribution to sales ratio
	d) describe the limitations of C-V-P analysis		c) determine the Break-even point in quantities and amounts
	e) explain the term Break Even Point (BEP)	26.3.04P1	<i>Content</i> Calculating the contribution margin
	f) explain how to calculate Break Even Point.	26.3.04P2	Calculating the contribution to sales ratio
26.3.04C	Competence The trainee should have the ability to use C-V-P analysis in business decision making	26.3.04P3	Determining the Break -even point (BEP) in quantities and currency
	<i>Content</i>		<i>Suggested Teaching/Learning Resources</i>
26.3.04T1	Definition of cost volume profit (C-V-P) analysis		- Text books
26.3.04T2	Terms used in C-V-P analysis		- Professional magazines
26.3.04T3	Assumption of C-V-P analysis		- Chalk/white boards

	<p><i>Suggested Teaching/Learning Activities</i></p> <ul style="list-style-type: none"> - Discussion - Question and answer - Note taking <p><i>Suggested Evaluation Methods</i></p> <ul style="list-style-type: none"> - Assignments - Oral tests - Terms papers 	26.3.05T3	<p>Decision making using marginal costing</p> <ul style="list-style-type: none"> - Acceptance of special orders - Dropping a product - Choice of product with a limiting factor - Make or buy <p>Practice</p>
26.3.05	<p>MARGINAL COSTING</p> <p>Theory</p>	26.3.05P	<p><i>Specific Objective</i></p> <p>By the end of the sub-module unit, the trainee should be able to calculate the marginal costs</p>
26.3.05T	<p><i>Specific Objectives</i></p> <p>By the end of the sub-module unit, the trainee should be able to:</p> <ol style="list-style-type: none"> a) define marginal costing b) explain the term "key factor" c) describe the decisions made using marginal costing. 	26.3.05P1	<p><i>Content</i></p> <p>Calculating marginal costs</p> <p><i>Suggested Teaching/Learning Resources</i></p> <ul style="list-style-type: none"> - Text books - Professional magazines - Chalk/white boards <p><i>Suggested Teaching/Learning Activities</i></p> <ul style="list-style-type: none"> - Discussion - Question and answer - Note taking <p><i>Suggested Evaluation Methods</i></p> <ul style="list-style-type: none"> - Written tests - Oral tests
26.3.05C	<p>Competence</p> <p>The trainee should have the ability to calculate marginal costing in business decision making</p>		
26.3.05T1	<p><i>Content</i></p> <p>Definition of marginal costing</p>		
26.3.05T2	<p>Key factor in marginal costing</p>		

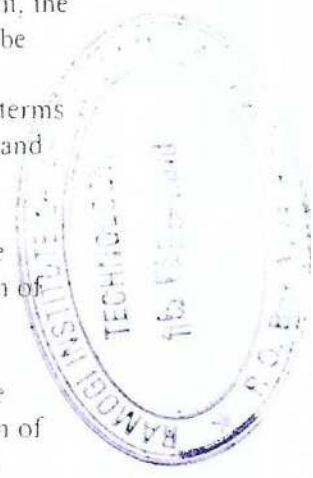
26.3.06	CAPITAL EXPENDITURE DECISIONS	26.3.06T2	Non-discounting techniques - Accounting Rate of Return - Payback period - Benefits and limitations of each technique
	Theory		
26.3.06T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:	26.3.06T3	Time value of money concept
	a) explain the nature of capital expenditure decisions	26.3.06T4	Discounted cash flow techniques - Net Profit Value - Profitability Index - Internal Rate of Return - Benefits and limitations of each technique
	b) describe the non-discounting cash flow techniques		
	c) explain the time value of money concept		
	d) describe the discounting cash flow techniques	26.3.06F	Practice <i>Specific Objectives</i> By the end of the sub-module unit the trainee should be able to:
	e) discuss the benefits and limitations of each technique		a) make a choice between projects using non-discounting cash flow techniques b) discount cash flows
26.3.06C	Competence The trainee should have the ability to apply discounting and non-discounting cash flow techniques to make business investment decisions		
	Content	26.3.06P1	<i>Content</i> Choice of projects using non-discounted cash flow techniques
26.3.06T1	Nature of capital expenditure decisions	26.3.06P2	Discount cash flows

	<p><i>Suggested Teaching/Learning Resources</i></p> <ul style="list-style-type: none"> - Text books - Professional magazines - Chalk/white boards 		<ul style="list-style-type: none"> c) explain the transportation techniques for minimizing and maximizing problems.
	<p><i>Suggested Teaching/Learning Activities</i></p> <ul style="list-style-type: none"> - Discussion - Class presentation - Question and answer - Note taking 	26.3.07C	<p>Competence</p> <p>The trainee should have the ability to apply transportation techniques in business decision making</p>
	<p><i>Suggested Evaluation Methods</i></p> <ul style="list-style-type: none"> - Assignments - Oral tests 	26.3.07T1	<p><i>Content</i></p> <p>Nature of transportation techniques</p>
26.3.07	<p>TRANSPORTATION TECHNIQUES</p>	26.3.07T2	<p>Requirements for application of transportation techniques</p>
	<p>Theory</p>	26.3.07T3	<p>Transportation techniques</p> <ul style="list-style-type: none"> - Minimizing technique - Maximizing technique
26.3.07T	<p><i>Specific Objectives</i></p> <p>By the end of the sub-module unit, the trainee should be able to:</p>		<p>Practice</p>
	<ul style="list-style-type: none"> a) explain the nature of transportation techniques b) describe the requirements for the application of transportation techniques 	26.3.07P	<p><i>Specific Objectives</i></p> <p>By the end of the sub-module unit, the trainee should be able to:</p> <ul style="list-style-type: none"> a) identify a transportation problems b) set up initial transportation table

	c) solve transportation problems	26.3.08	ASSIGNMENT TECHNIQUES
			Theory
26.3.07P1	<i>Content</i> Identifying transportation problems	26.3.08T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:
26.3.07P2	Setting up initial transportation table		able to:
26.3.07P3	Solving transportation problems		a) explain the nature of assignment techniques
	<i>Suggested Teaching/Learning Resources</i>		b) describe the requirements for application of assignment techniques
	- Text books		c) explain the application of assignment techniques for minimizing and maximizing problems.
	- Professional magazines		
	- Chalk/white boards		
	<i>Suggested Teaching/Learning Activities</i>		
	- Discussion		
	- Question and answer	26.3.08C	Competence
	- Note taking		The trainee should have the ability to apply assignment techniques in business decision making
	- Guest speaker		
	<i>Suggested Evaluation Methods</i>		
	- Assignments		
	- Examinations		
		26.3.08T1	<i>Content</i> Nature of assignment techniques
		26.3.08T2	Requirements for application of assignment techniques

26.3.08J3	Assignment techniques for minimizing and maximizing problems		<i>Suggested Evaluation Methods</i> - Assignments - Oral tests
	Practice	26.3.09	QUEUEING THEORY
26.3.08P	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to: a) identify assignment problem b) set-up initial assignment table c) solve assignment problems	26.3.09I	<i>Theory</i> <i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to: a) define a queue b) describe the elements of a queue c) explain the terms used in queueing Theory d) discuss the application of queueing Theory
26.3.08P1	<i>Content</i> Identification of assignment problems		
26.3.08P2	Setting-up initial assignment tables		
26.3.08P3	Solving assignment problems	26.3.09C	Competence The trainee should have the ability to apply queueing techniques in business decision making
	<i>Suggested Teaching/Learning Resources</i> - Text books - Professional magazines - Chalk/white boards	26.3.09T1 26.3.09T2 26.3.09T3	<i>Content</i> Definition of a queue Elements of queue Terms used in queueing Theory Application of queueing Theory
	<i>Suggested Teaching/Learning Activities</i> - Discussion - Note taking - Class discussion	26.3.09T4	

	Practice	26.3.11	BUDGETING AND BUDGETARY CONTROL
26.3.10P	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:		Theory
	a) calculate different types of profits	26.3.11T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:
	b) use cost based transfer prices in evaluation or performance		a) define the terms budgeting and budgetary control
26.3.10P1	<i>Content</i> Calculating different types of profits		b) explain the preparation of functional budgets
26.3.10P2	Using cost-based transfer prices in performance evaluation		c) explain the preparation of the master budget.
	<i>Suggested Teaching/Learning Resources</i>	26.3.11C	Competence The trainee should have the ability to prepare and monitor budgetary provisions in a business set up
	- Text books		
	- Professional magazines		
	- Chalk/white boards		
	<i>Suggested Teaching/Learning Activities</i>	26.3.11T1	<i>Content</i> Definition of budgeting and budgetary control
	- Question and answer	26.3.11T2	Preparation of functional budgets
	- Demonstration		- Sales
	- Note taking		- Production
			- Purchasing
	<i>Suggested Evaluation Methods</i>	26.3.11T3	Preparation of master budget
	- Assignments		
	- Oral tests		



	Practice	26.3.12	EMERGING TRENDS AND ISSUES IN MANAGERIAL ACCOUNTING
26.3.11P	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:		Theory
	a) prepare functional budgets	26.3.12T	<i>Specific Objectives</i> By the end of the sub-module unit, the trainee should be able to:
	b) prepare the master budget		a) identify emerging trends and issues in managerial accounting
26.3.11P1	<i>Content</i> Preparing functional budgets		b) explain the challenges posed by the emerging trends and issues
26.3.11P2	Preparing the master budget		c) identify ways of coping with the challenges posed by the emerging trends and issues
	<i>Suggested Teaching/Learning Resources</i> - Text books - Professional magazines - Chalk/white boards - Exercise books		
	<i>Suggested Teaching/Learning Activities</i> - Discussion - Demonstration - Question and answer - Note taking	26.3.12C	Competence The trainee should have the ability to cope with the emerging issues and trends in managerial accounting
	<i>Suggested Evaluation Methods</i> - Written examination	26.3.12T1	<i>Content</i> Emerging trends and issues in managerial accounting
		26.3.12T2	Challenges posed by the emerging trends and issue in managerial accounting