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Institute of Certified Bookkeepers

Level IV Module 1 – Management Accounting

Topic 1 - The Business Environment

Learning Outcome	Assessment Criteria
Explain the role and purpose of management accounting as a business activity.	<ol style="list-style-type: none">(1) Distinguish between management accounting and financial accounting.(2) Explain the term Management Information System (MIS).(3) Explain the purpose of management information.(4) Identify the attributes of information.(5) Outline the function of the management accountant.

Topic 2 – Cost recording, cost reporting and cost behaviour

Learning Outcome	Assessment Criteria
Distinguish between marginal and absorption costing.	<ol style="list-style-type: none">(1) Define the term Cost Unit and identify the type of cost units in differing business sectors.(2) Define the term Responsibility Centre and identify Cost, Profit and Investment Centres.(3) Distinguish between Direct and Indirect Costs.(4) Define the term Cost Behaviour and distinguish between Fixed and Variable Costs.(5) Define the terms and apply these concepts in cost reports.<ul style="list-style-type: none">• Contribution• Break-even point• Margin of Safety• Limiting Factor(6) Prepare a cost statement in both absorption and marginal cost format.

Topic 3 - Accounting for Overheads

Learning Outcome	Assessment Criteria
Understand the process of allocation, apportionment and absorption of overhead and the application of ABC (Activity Based Costing)	<ol style="list-style-type: none"> (1) Prepare an overhead analysis sheet to allocate and apportion overhead to cost/expense centres. Determine appropriate overhead recovery rates for each cost/expense centre. (2) ABC, Activity Based Costing – Terminology. Distinguish between the terms: Activity, Cost Driver, Cost Pool and Cost Driver Rate. (3) Apply ABC methodology and explain why the technique has an advantage over conventional overhead allocation, apportionment and absorption.

Topic 4 – Standard Costing and Variance Analysis

Learning Outcome	Assessment Criteria
Understand the role and purpose of Standard Costing and Variance Analysis in Management Reporting.	<ol style="list-style-type: none"> (1) Identify the advantages of standard costing technique. Explain how standard costs are set for each element of cost. (2) Prepare a standard cost card for a single cost unit. (3) Distinguish between the types of standard. (4) Explain the term Cost Variance. (5) Prepare cost variances for: <ul style="list-style-type: none"> • Direct Material • Direct Labour • Fixed Overhead Expenditure • Fixed Overhead Volume • Fixed Overhead Efficiency • Fixed Overhead Capacity (6) Prepare a reconciliation between standard and actual cost and investigate and report on the variances. (7) Prepare sales variances: <ul style="list-style-type: none"> • Sales Price Variance

	<ul style="list-style-type: none"> • Sales Volume Variance <p>(8) Prepare reconciliation between standard and actual profit for a period.</p>
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Topic 5 – Performance Indicators (PI's)	
Learning Outcome	Assessment Criteria
<p>Explain the use of Performance Indicators to measure: Profitability, Liquidity, Utilisation, Efficiency and Productivity and also apply the Balance Scorecard Technique of measuring performance.</p>	<p>(1) Distinguish between the types of performance indicators.</p> <p>(2) Calculate PI's to measure:</p> <ul style="list-style-type: none"> • Profitability • Liquidity • Utilisation • Efficiency • Productivity for businesses in differing sectors. <p>(3) Calculate the PI's for the range of perspectives identified in Kaplan and Norton's Balanced Scorecard Analysis.</p> <p>(4) Prepare reports using PI's/Ratio Analysis to compare business performance over time including inter-firm comparison.</p>

Topic 6 – Budget Preparation, Budgetary Control and Responsibility Accounting	
Learning Outcome	Assessment Criteria
<p>Explain the role and purpose of Budget Preparation, Budgetary Control and Responsibility Accounting.</p>	<p>(1) Identify the elements of budgets and budgetary control.</p> <p>(2) Explain how budgets and budgetary control are administered.</p> <p>(3) Prepare a series of functional budgets:</p> <ul style="list-style-type: none"> • Sales by Volume and Value • Production Volume • Raw Materials • Direct Labour

	<ul style="list-style-type: none"> • Variable Costs • Fixed Costs • Cash Budgets <p>(4) Prepare a budgeted operating statement.</p> <p>(5) Prepare comparisons of budget to actual performance and identify variances.</p> <p>(6) Prepare a flexible budget for a range of activity by identifying cost behaviour patterns.</p> <p>(7) Prepare flexible budgets using marginal costing methodology and presentation.</p> <p>(8) Explain the technique zero base budgeting identifying clearly its advantage over conventional budgeting technique.</p> <p>(9) Behavioural aspects of Budgets and Budgetary Control. Types of budget styles, control and motivation, participation in budget setting; and performance evaluation and reward.</p> <p>(10) Explain the term Life Cycle Costing and identify the life cycle of a project</p>
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Topic 7 – Capital Investment Appraisal	
Learning Outcome	Assessment Criteria
Capital Investment Appraisal Explain the role and purpose of Capital Investment Appraisal Techniques.	<p>(1) Appraise an investment using the following techniques:</p> <ul style="list-style-type: none"> • Average return on Investment • Payback period • Discounted Cash Flow (DCF) • NPV Net Present Value method. • Profitability Index PI; and • Internal Rate of Return – IRR <p>(2) Prepare a comparison of alternative investments using the various techniques and recommend the most viable strategy.</p>



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