



# The Institute of Certified Bookkeepers

## Level IV Module 1 - Management Accounting

## Module 1. Management Accounting

Topic Area	Learning Outcome	Assessment Criteria
<p>Topic</p> <p>(1) The Business Environment</p>	<p>Explain the role and purpose of management accounting as a business activity.</p>	<p>Be able to:</p> <p>(1) Distinguish between management accounting and financial accounting.</p> <p>(2) Explain the term Management Information System (MIS).</p> <p>(3) Explain the purpose of management information.</p> <p>(4) Identify the attributes of information.</p> <p>(5) Outline the function of the management accountant.</p>
<p>(2) Cost recording, cost reporting and cost behaviour.</p>	<p>Distinguish between marginal and absorption costing.</p>	<p>(1) Define the term Cost Unit and identify the type of cost units in differing business sectors.</p> <p>(2) Define the term Responsibility Centre and identify Cost, Profit and Investment Centres.</p> <p>(3) Distinguish between Direct and Indirect Costs.</p> <p>(4) Define the term Cost Behaviour and distinguish between Fixed and Variable Costs.</p> <p>(5) Define the terms:</p> <p>Contribution Break-even point Margin of Safety Limiting Factor</p> <p>and apply these concepts in cost reports.</p> <p>(6) Prepare a cost statement in both absorption and marginal cost format.</p>

Topic Area	Learning Outcome	Assessment Criteria
(3) Accounting for Overhead	Understand the process of allocation, apportionment and absorption of overhead and the application of ABC, (Activity Based Costing)	<p>(1) Prepare an overhead analysis sheet to allocate and apportion overhead to cost/expense centres.</p> <p>(2) Determine appropriate overhead recovery rates for each cost/expense centre.</p> <p>(3) ABC, Activity Based Costing – Terminology. Distinguish between the terms: Activity, Cost Driver, Cost Pool and Cost Driver Rate.</p> <p>(4) Apply ABC methodology and explain why the technique has an advantage over conventional overhead allocation, apportionment and absorption.</p>
(4) Standard Costing and Variance Analysis	Understand the role and purpose of Standard Costing and Variance Analysis in Management Reporting.	<p>(1) Identify the advantages of standard costing technique.</p> <p>(2) Explain how standard costs are set for each element of cost.</p> <p>(3) Prepare a standard cost card for a single cost unit.</p> <p>(4) Distinguish between the types of standard.</p> <p>(5) Explain the term Cost Variance.</p> <p>(6) Prepare cost variances for:</p> <p style="padding-left: 20px;">Direct Material Direct Labour Fixed Overhead Expenditure Fixed Overhead Volume Fixed Overhead Efficiency Fixed Overhead Capacity</p> <p>(7) Prepare a reconciliation between standard and actual cost and investigate and report on the variances.</p> <p>(8) Prepare sales variances:</p> <p style="padding-left: 20px;">Sales Price Variance Sales Volume Variance</p> <p>(9) Prepare reconciliation between standard and actual profit for a period.</p>

Topic Area	Learning Outcome	Assessment Criteria
<p>(5) Performance Indicators (PI's)</p>	<p>Explain the use of Performance Indicators to measure:</p> <p>Profitability, Liquidity, Utilisation, Efficiency and Productivity</p> <p>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> <p>Profitability Liquidity Utilisation</p> <p>Efficiency; and Productivity</p> <p>for businesses in differing sectors.</p> <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 Area	Learning Outcome	Assessment Criteria
<p>(6) Budget Preparation, Budgetary Control and Responsibility Accounting.</p>	<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> <p>Sales by Volume and Value  Production Volume  Raw Materials  Direct Labour  Variable Costs  Fixed Costs  Cash Budgets</p> <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 but 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 life cycle costs and revenues.</p>

Topic Area	Learning Outcome	Assessment Criteria
(7) Capital Investment Appraisal	Explain the role and purpose of Capital Investment Appraisal Techniques.	<p>(1) Appraise an investment using the following techniques:</p> <p>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> <p>(2) Prepare a comparison of alternative investments using the various techniques and recommend the most viable strategy.</p>



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