

IKAF CAT-F2 Management Accounting

Syllabus and Study Guide

*CAT Certified Accounting Technician Qualification Level
(Based on ACCA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

Qualification Structure

It explains the content of Certified Accounting Technician Qualification Level, which also includes the Management Accounting Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

Module

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

Syllabus Structure

It explains the syllabus content of the module Management Accounting, part of the Certified Accounting Technician Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

Study Guide

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

QUALIFICATION STRUCTURE

*CAT Certified Accounting Technician Qualification Level
(Based on ACCA Certifications)*

The Qualification Program for Accounting Technician particularly relies on management and communication skills, practical business development and planning skills, as well as new knowledge on the tax environment and financial reporting.

To get Accounting Technician training you need to become an IKAF student member. Membership is open to professionals who work in accounting and those who are interested in accounting as well.

Accounting Technician Candidates should demonstrate knowledge of Management Accounting Module.



Diagram.1: *CAT Certified Accounting Technician Qualification Level*

Modules

CAT Certified Accounting Technician Qualification Level consists of four modules and is mandatory to pass all four in order to obtain the title:

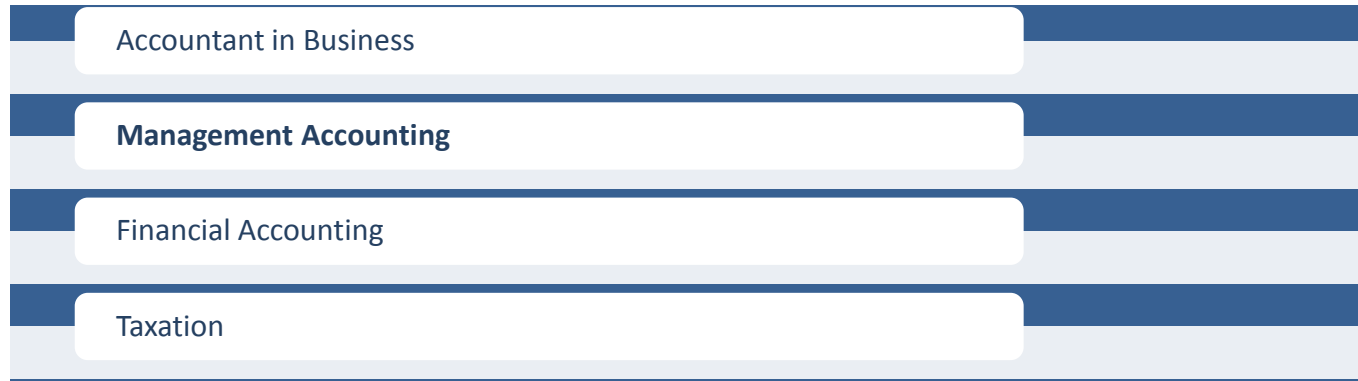


Diagram.2: CAT Certified Accounting Technician Qualification Level Modules

QUALIFICATION AND MEMBERSHIP CRITERIA: Certified Accounting Technician

- To enroll as an IKAF student in the Accounting Technician program, you must have at least a High School Diploma or University Degree;
- One (1) year experience in accounting/finance - that can be acquired during or after the training;
- Have attended and passed four (4) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Accounting Technician" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Accounting Technician" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

Training Features:

- A Comprehensive review of modules and during the training, participants will be provided with case studies, exercises similar to those given in the ACCA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- ACCA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

SYLLABUS STRUCTURE

Rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Relational diagram linking modules

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall Aim

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

Main Capabilities

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Topics

Certain topics that module contains and that will be treated during tuitions.

Examining Structure

This section briefly explains the structure of the examination and how it is assessed.

Annex: Detailed Syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

MODULE

This syllabus and study guide is designed to help with study planning and to provide detailed information on what could be assessed in any examination session.

Rationale

The syllabus for Management Accounting (MA)/FMA, introduces candidates to elements of management accounting which are used to make and support decisions.



Diagrami.1: Module relations

The syllabus starts by introducing the nature, the source and purpose of cost accounting and the costing techniques used in business which are essential for any management accountant. The syllabus then looks at the preparation and use of budgeting and standard costing and variance analysis as essential tools for planning and controlling business costs. The syllabus concludes with an introduction to measuring and monitoring the performance of an organisation

Aim

To develop knowledge and understanding of management accounting techniques to support management in planning, controlling and monitoring performance in a variety of business contexts.

Main capabilities

- Explain the nature, source and purpose of management information
- Explain and apply cost accounting techniques
- Prepare budgets for planning and control
- Compare actual costs with standard costs and analyse any variances
- Explain and apply performance measurements and monitor business performance.

Topics

Major topics of Management Accounting Module which will be covered over the training:

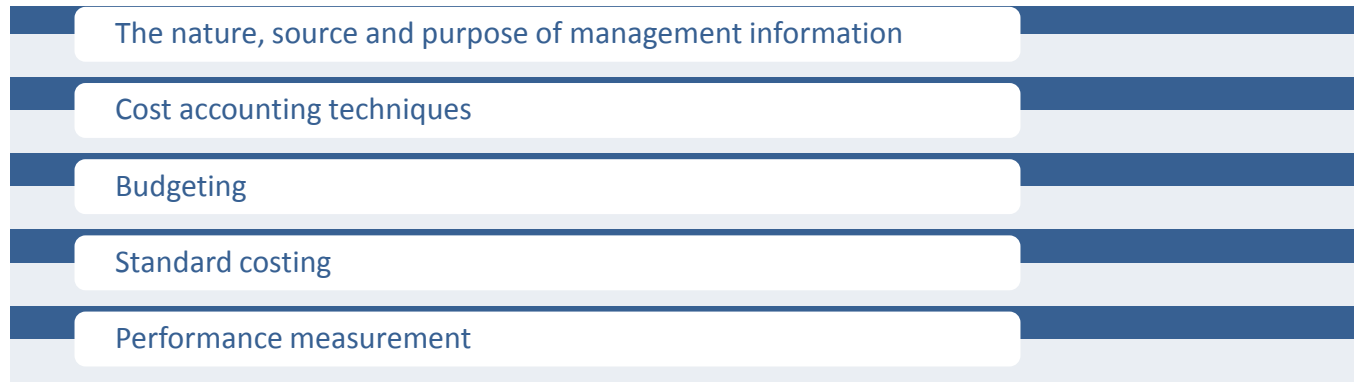


Diagram.2: Topics of Management Accounting Module which will be covered over the training

Examination Structure

The syllabus is assessed by a two-hour examination available in paper-based format. * All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

Reading and Time Planning

For paper-based exams 15 minutes are added to the two hours to reflect the manual effort required. The total exam time is therefore two hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

Annex: Detailed Syllabus

DETAILED SYLLABUS

1 The nature, source and purpose of management information

- 1 Accounting for management
- 2 Sources of data
- 3 Cost classification
- 4 Presenting information

2 Cost accounting techniques

- 1 Accounting for material, labor and overheads
- 2 Absorption and marginal costing
- 3 Cost accounting methods
- 4 Alternative cost accounting principles

3 Budgeting

- 1 Nature and purpose of budgeting
- 2 Statistical techniques
- 3 Budget preparation

- 4 Flexible budgets
- 5 Capital budgeting and discounted cash flow
- 6 Budgetary control and reporting
- 7 Behavioral aspects of budgeting

4 Standard costing

- 1 Standard costing system
- 2 Variance calculations and analysis
- 3 Reconciliation of budgeted and actual profit

5 Performance measurement

- 1 Performance measurement - overview
- 2 Performance measurement - application
- 3 Cost reductions and value enhancement
- 4 Monitoring performance and reporting

STUDY GUIDE

A The nature, source and purpose of management information

1 Accounting for management

- Describe the purpose and role of cost and management accounting within an organisation.[k]
- Compare and contrast financial accounting with cost and management accounting.[k]
- Outline the managerial processes of planning, decision making and control.[k]
- Explain the difference between strategic, tactical and operational planning.[k]
- Distinguish between data and information.[k]
- Identify and explain the attributes of good information.[k]
- Explain the limitations of management information in providing guidance for managerial decision-making. [k]

2 Sources of data

- Describe sources of information from within and outside the organisation (including government statistics, financial press, professional or trade associations, quotations and price list).[k]
- Explain the uses and limitations of published information/data (including information from the internet) .[k]
- Describe the impact of general economic environment on costs/revenue.[k]
- Explain sampling techniques (random, systematic, stratified, multistage, cluster and quota).[k]
- Choose an appropriate sampling method in a specific situation.[s]
- (Note: Derivation of random samples will not be examined)

3 Cost classification

- Explain and illustrate production and nonproduction costs.[k]
- Describe the different elements of non-production costs- administrative, selling, distribution and finance.[k]
- Describe the different elements of production cost- materials, labor and overheads.[k]
- Explain the importance of the distinction between production and non-production costs when valuing output and inventories.[k]
- Explain and illustrate with examples classifications used in the analysis of the product/service costs including by function, direct and indirect. Fixed and variable, stepped fixed and semi variable costs. [S].
- Explain and illustrate the use of codes in categorizing transaction.[k]
- Describe and illustrate, graphically, different types of cost behavior.[s]
- Use high/low analysis to separate the fixed and variable elements of total costs including situations involving semi variable and stepped fixed costs and changes in the variable cost per unit. [s]
- Explain the structure of linear functions and equations.[s]
- Explain and illustrate the concept of cost objects, cost units and cost centers. [S].
- Distinguish between cost, profit, investment and revenue centers. [K].
- Describe the differing needs for information of cost, profit, investment and revenue center managers.[k]

4 Presenting information

- Prepare written reports representing management information in suitable formats according to purpose.[s]
- Present information using tables, charts and graphs (bar charts, line graphs, pie charts and scatter graphs). [S].
- Interpret information (including the above tables, charts and graphs) presented in management reports. [s]

B Cost accounting techniques

1 Accounting for material, labor and overheads

- Accounting for materials (i) describe the different procedures and documents necessary for the ordering, receiving and issuing of materials from inventory. [k] (ii) Describe the control procedures used to monitor physical and 'book' inventory and to minimize discrepancies and losses. [K]. (iii) Interpret the entries and balances in the material inventory account. [S]. (IV) Identify, explain and calculate the costs of ordering and holding inventory (including buffer inventory) [s] (v) Calculate and interpret optimal reorder quantities. [s] (VI) Calculate and interpret optimal reorder quantities when discounts apply. [S] (vii) Produce calculations to minimize (viii) Describe and apply appropriate methods for establishing reorder levels where demand in the lead time is constant.[s] (ix) Calculate the value of closing inventory and material issues using LIFO, FIFO and average methods.[s]
- Accounting for (i) Calculate direct and indirect costs of labor.[s] (ii) Explain the methods used to relate input labor costs to work done.[k] (iii) Prepare the journal and ledger entries to record labor cost

inputs and outputs.[s] (iv) Describe different remuneration methods: time-based systems, piecework systems and individual and group incentive schemes.[k] (v) Calculate the level, and analyses the costs and causes of labor turnover.[s] (vi) Explain and calculate labor efficiency, capacity and production volume ratios.[s] (vii) Interpret the entries in the account.[s]

- Accounting for overheads (i) Explain the different treatment of direct and indirect expenses.[k] (ii) Describe the procedures involved in determining production overhead absorption rates.[k] (iii) Allocate and apportion production overheads to cost centers using an appropriate basis.[s] (iv) Reapportion service cost center costs to production cost centers (including using the reciprocal method where service cost centers work for each other)[s] (v) Select, apply and discuss appropriate bases for absorption rates.[s] (vi) Prepare journal and ledger entries for manufacturing overheads incurred and absorbed.[s] (vii) Calculate and explain the under and over absorption of overheads.[s]

2 Absorption and marginal costing

- Explain the importance of, and apply, the concept of contribution.[s]
- Demonstrate and discuss the effect of absorption and marginal costing on inventory valuation and profit determination.[s]
- Calculate profit or loss under absorption and marginal costing.[s]
- Reconcile the profits or losses calculated under absorption and marginal costing.[s]
- Describe the advantages and disadvantages of absorption and marginal costing. [k]

3 Cost accounting methods

- Job and batch costing: (i) Describe the characteristics of job and batch costing.[k] (ii) Describe the situations where the use of job or batch costing would be appropriate.[k] (iii) Prepare cost records and accounts in job and batch costing situations. [s] (iv) Establish job and batch costs from given information.[s]
- Process costing (i) Describe the characteristics of process costing.[k] (ii) Describe the situations where the use of process costing would be appropriate.[s] (iii) Explain the concepts of normal and abnormal losses and abnormal gains.[k] (iv) Calculate the cost per unit of process outputs.[s] (v) Prepare process accounts involving normal and abnormal losses and abnormal gains.[s] (vi) Calculate and explain the concept of equivalent units.[s] (vii) Apportion process costs between work remaining in process and transfers out of a process using the weighted average and FIFO methods.[s] (viii) Prepare process accounts in situations where work remains incomplete.[s] (ix) Prepare process accounts where losses and gains are identified at different stages of the process.[s] (x) Distinguish between by-products and joint products.[k] (xi) Value by-products and joint products at the point of separation.[s] (xii) Prepare process accounts in situations where by-products and/or joint products occur. [s]
- Service/operation costing (i) Identify situations where the use of service/operation costing is appropriate. [k] (ii) Illustrate suitable unit cost measures that may be used in different service/operation situations.[s] (iii) Carry

out service cost analysis in simple service industry situations.[s]

4 Alternative cost accounting principles

- Explain activity based costing (ABC), target costing, life cycle costing and total quality management (TQM) as alternative cost management techniques.[k]
- Differentiate ABC, Target costing and life cycle costing from the traditional costing techniques (note: calculations are not required). [k]

C Budgeting

1 Nature and purpose of budgeting

- Explain why organizations use budgeting.[k]
- Describe the planning and control cycle in an organisation.[k]
- Explain the administrative procedures used in the budgeting process.[k]
- Describe the stages in the budgeting process (including sources of relevant data, planning and agreeing draft budgets and purpose of forecasts and how they link to budgeting).[k]

2 Statistical techniques

- Explain the advantages and disadvantages of using high low method to estimate the fixed and variable element of costing. [K].
- Construct scatter diagrams and lines of best fit.[s]
- Analysis of cost data. (I) Explain the concept of correlation coefficient and coefficient of determination.[k] (ii) Calculate and interpret correlation coefficient and coefficient of determination.[s] (iii) Establish a linear function using regression analysis and interpret the results.[s]

- Use linear regression coefficients to make forecasts of costs and revenues.[s]
- Adjust historical and forecast data for price movements.[s]
- Explain the advantages and disadvantages of linear regression analysis.[k]
- Describe the product life cycle and explain its importance in forecasting.[k]
- Explain the principles of time series analysis (cyclical, trend, seasonal variation and random elements).[k]
- Calculate moving averages.[s]
- calculation of trend, including the use of regression coefficients .[s]
- Use trend and seasonal variation (additive and multiplicative) to make budget forecasts.[s]
- Explain the advantages and disadvantages of time series analysis[k]
- Explain the purpose of index numbers [k]
- Calculate simple index numbers for one or more variables.[s]
- Explain the role and features of a computer spreadsheet system.[k]
- Identify applications for computer spreadsheets and their use in cost and management accounting. [s]

3 Budget preparation

- Explain the importance of principal budget factor in constructing the budget'.[k]
- Prepare sales budgets[s]
- Prepare functional budgets (production, raw materials usage and purchases, labor, variable and fixed overheads) [s]
- Prepare cash budgets[s]
- Prepare master budgets (statement of profit or loss and statement of financial position) [s]
- Explain and illustrate 'what if' analysis and scenario planning [s]

4 Flexible budgets

- Explain the importance of flexible budgets in control[k]
- Explain the disadvantages of fixed budgets in control[k]
- Identify situations where fixed or flexible budgetary control would be appropriate[s]
- Flex a budget to a given level of volume[s]

5 Capital budgeting and discounted cash flow

- Discuss the importance of capital investment planning and control[k]
- Define and distinguish between capital and revenue expenditure[k]
- Outline the issues to consider and the steps involved in the preparation of a capital expenditure budget[k]
- Explain and illustrate the difference between simple and compound interest, and between nominal and effective interest rates[s]
- Explain and illustrate compounding and discounting[s]
- Explain the distinction between cash flow and profit and the relevance of cash flow to capital investment appraisal[k]
- Identify and evaluate relevant cash flows for individual investment decisions.[s]
- Explain and illustrate the net present value (NPV) and internal rate of return (IRR) methods of discounted cash flow[s]
- Calculate present value using annuity and perpetuity formulae[s]
- Calculate NPV, IRR and payback (discounted and non-discounted) [s]
- Interpret the results of NPV, IRR and payback calculations of investment viability[s]

6 Budgetary control and reporting

- Calculate simple variances between flexed budget, fixed budget and actual sales, costs and profits[s]
- Discuss the relative significance of variances[k]
- Explain potential action to eliminate variances[k] d) Define the concept of responsibility accounting and its significance in control[k]
- Explain the concept of controllable and uncontrollable costs[k]
- Prepare control reports suitable for presentation to management. (To include recommendation of appropriate control action [s]

7 Behavioral aspects of budgeting

- Explain the importance of motivation in performance management[k]
- Identify factors in a budgetary planning and control system that influence motivation[s]
- Explain the impact of targets upon motivation[k]
- Discuss managerial incentive schemes[k]
- Discuss the advantages and disadvantages of a participative approach to budgeting[k]
- Explain top down, bottom up approaches to budgeting[k]

D Standard costing

1 Standard costing system

- Explain the purpose and principles of standard costing. [k]
- Explain and illustrate the difference between standard, marginal and absorption costing[k]
- Establish the standard cost per unit under absorption and marginal costing[s]

2 Variance calculations and analysis

- Calculate sales price and volume variance.[s]
- Calculate materials total, price and usage variance.[s]
- Calculate labor
 - total, rate and efficiency variance.[s]
- Calculate variable overhead total, expenditure and efficiency variance[s]
- Calculate fixed overhead total, expenditure and, where appropriate, volume, capacity and efficiency variance.[s]
- Interpret the variances.[s]
- Explain factors to consider before investigating variances, explain possible causes of the variances and recommend control action.[s]
- Explain the interrelationships between the variances .[k]
- Calculate actual or standard figures where the variances are given
 - k]

3 Reconciliation of budgeted and actual profit

- Reconcile budgeted profit with actual profit under standard absorption costing.[s]
- Reconcile budgeted profit or contribution with actual profit or contribution under standard marginal costing. [s]

E Performance measurement

1 Performance measurement - overview

- Discuss the purpose of mission statements and their role in performance measurement[k]
- Discuss the purpose of strategic and operational and tactical objectives and their role in performance measurement[k]

- Discuss the impact of economic and market conditions on performance measurement[k]
- Explain the impact of government regulation on performance measurement[k]

2 Performance measurement - application

- Discuss and calculate measures of financial performance (profitability, liquidity, activity and gearing) and non-financial measures[s]
- Perspectives of the balanced scorecard (i) discuss the advantages and limitations of the balanced scorecard[k] (ii) describe performance indicators for financial success, customer satisfaction, process efficiency and growth[k] (iii) discuss critical success factors and key performance indicators and their link to objectives and mission statements[k] (iv) establish critical success factors and key performance indicators in a specific situation[s]
- Economy, efficiency and effectiveness (i) explain the concepts of economy, efficiency and effectiveness[k] (ii) describe performance indicators for economy, efficiency and effectiveness[k] (iii) establish performance indicators for economy, efficiency and effectiveness in a specific situation[s] (iv) discuss the meaning of each of the efficiency, capacity and activity ratios[k] (v) calculate the efficiency, capacity and activity ratios in a specific situation[s]
- Unit costs (i) describe performance measures which would be suitable in contract and process costing environments[k]
- Resource utilization (i) describe measures of performance utilization in

service and manufacturing environments[k] (ii) establish measures of resource utilization in a specific situation[s]

- Profitability (i) calculate return on investment and residual income[s] (ii) explain the advantages and limitations of return on investment and residual income[k]
- Quality of service (i) distinguish performance measurement issues in service and manufacturing industries[k] (ii) describe performance measures appropriate for service industries[k]

3 Cost reductions and value enhancement

- Compare cost control and cost reduction[k]
- Describe and evaluate cost reduction methods[s]
- Describe and evaluate value analysis[s]

4 Monitoring performance and reporting

- Discuss the importance of non-financial performance measures[k]
- Discuss the relationship between short-term and long-term performance[k]
- Discuss the measurement of performance in service industry situations[k]
- Discuss the measurement of performance in non-profit seeking and public sector organizations[k]
- Discuss measures that may be used to assess managerial performance and the practical problems involved[k]
- Discuss the role of benchmarking in performance measurement[k]
- Produce reports highlighting key areas for management attention and recommendations for improvement[s]