

# IB116-15 Foundations of Management Accounting

**21/22**

**Department**

Warwick Business School

**Level**

Undergraduate Level 1

**Module leader**

Sadia Khan

**Credit value**

15

**Module duration**

10 weeks

**Assessment**

Multiple

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

N/A.

[Module web page](#)

### Module aims

- Provides an understanding of the sources and uses of accounting information within organisations.
- Introduces students to the design of accounting control systems and decision-making techniques both for manufacturing and service organisations, whether for profit or nonprofit, public or private sector.
- Describes how accounting interacts with the human side of organisations. Particular emphasis is laid on the functioning of management accounting in the organizational context and the significance of other forms of organizational expertise in the application of management accounting techniques.
- Provides students with both technical and contextual grasp of management accounting and its many roles.

## Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

### Introduction to Management Accounting

Management accounting definition; contrast management accounting and financial accounting; the decision making process; forces of change in management accounting; emerging new themes in management accounting; functions of management accounting; management accounting and ethical conduct.

### Introduction to Costs Terms and Concepts

Cost object, Direct and Indirect costs, Fixed, Variable, Semi-Variable, Stepped Fixed costs; Product and Period costs, Relevant and Irrelevant costs; Incremental and Marginal costs, Opportunity and Sunk costs.

### Cost-Volume-Profit (CVP) Relationships

CVP single product decisions; contribution margin; breakeven point; margin of safety; operating leverage; CVP multiple product mix decisions; sensitivity analysis.

### Cost Assignment

Assignment of direct and indirect costs; different costs for different purposes; cost benefit issues and cost system design; plantwide overhead rate; the two stage allocation process.

### Activity Based Costing Systems

Traditional vs. ABC costing systems; volume-based and non-volume-based cost drivers; designing ABC systems; pros and cons of ABC; ABC in service organizations; Implementation of ABC.

### Pricing Decisions

Factors affecting pricing decisions; role of cost information in pricing decisions; pricing setting firm facing short-run/long-run pricing decisions; pricing taking firm facing short-run/long-run product mix decisions; pros and cons of cost-plus pricing; pricing strategies; pricing in practice.

### The budgeting Process

Meaning of budgeting; different purposes of budgeting; preparation of operating and financial budgets; zero-based budgeting; incremental budgeting; problems with budgeting.

### Standard Costing and Variances Analysis

Introduction to standard costing system; purposes of a standard costing system; setting of standards, various bases used for setting standards; calculation of basic variances (material, labour, overhead, sales margin); reconciliation actual profit with budgeted profit.

### Further Aspects of Standard Costing and Variance Analysis

Material mix, yield, sales mix and quantity variances; investigating causes of variances and taking corrective actions; advantage and criticisms against standard cost models; improving standard cost models; modern management techniques and standard cost models.

## Learning outcomes

By the end of the module, students should be able to:

- Appreciate the importance of organisational goals in the choice and design of management accounting information systems.
- Understand the mechanics, uses, and arguments relating to marginal, absorption, and activity-based costing systems.

- Understand the role of budgeting in the planning, control and resource allocation process.
- Understand factors driving costs and apply techniques to estimate and predict costs including the use of relevant software.
- Appreciate factors to be considered in setting of standards. Produce cost and sales variance analyses and reconcile actual to budgeted performance.
- Understand the role of accounting information in pricing decisions.
- Prepare budgets and make use of spreadsheet.
- Appreciate the behavioural/social effects of management accounting information.
- Appreciate the multidisciplinary nature of the subject.
- Demonstrate analytical, and problem solving skills

## **Indicative reading list**

Required (Core) Text:

- Drury, C., (2019) Management Accounting for Business, (7th edition), Cengage Learning, Hampshire

(<https://www.cengage.co.uk/books/9781473749115/>)

Other Useful Texts:

- Mowen, M. M., Hansen, D.R., and Heitger, D.L. (2018). Managerial Accounting: The Cornerstone of Business Decision Making (Seventh Edition), Cengage Learning.
- Bhimani, A, Horngren, C.T., Datar, S.M., and Rajan, M., (2015), Management and Cost Accounting (6th edition) , Pearson.
- Drury, C., (2015) Management and Cost Accounting, (9th edition), Cengage Learning.
- Atrill, P., and E. McLaney (2015), Management Accounting for Decision Makers, Pearson.
- Noreen, E., Brewer, P., and Garrison, R., (2014), Managerial Accounting for Managers (3rd edition), McGraw-Hill Education.
- Hopper, T., D. Northcott, and R. Scapens (2007), Issues in Management Accounting (3rd edition), Prentice Hall.

Current research may also be found in such journals as Management Accounting Research (UK), Journal of Management Accounting Research (US), Journal of Cost Management (US), Accounting Organisations and Society, Critical Perspectives in Accounting, and Accounting Auditing and Accountability Journal. Practitioner's articles may also be found in the CIMA journal Financial Management and in the US the journal Management Accounting.

## **Subject specific skills**

- Apply management accounting concepts and practices to analyse business problems.
- Prepare and present professional reports to recommend courses of action.

## **Transferable skills**

Demonstrate written communication skills.

Demonstrate a basic knowledge of the use of Spreadsheets.

Demonstrate group work skills, oral communication and presentation skills.

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# Study

## Study time

Type	Required
Lectures	2 sessions of 10 hours (26%)
Seminars	1 session of 9 hours (12%)
Private study	48 hours (62%)
Total	77 hours

## Private study description

Reading of texts, articles and journals. Preparing for seminars.

## Costs

No further costs have been identified for this module.

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## Assessment

You do not need to pass all assessment components to pass the module.

### Assessment group D4

	Weighting	Study time
In-class Test	20%	
In-person Examination	80%	

- Answerbook Green (8 page)
- Students may use a calculator

### Assessment group R2

	Weighting	Study time
In-person Examination - Resit	100%	

## Feedback on assessment

Summary feedback on examination performance will be posted on my.wbs. Students will be given feedback for the online class test.

## Availability

### Post-requisite modules

If you pass this module, you can take:

- IB232-15 Management Accounting for Decision Making and Control

## Courses

This module is Optional for:

- Year 3 of UIBA-MN34 Law and Business Four Year (Qualifying Degree)
- Year 2 of UIPA-L8N1 Undergraduate Global Sustainable Development and Business
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- Year 3 of UIBA-MN32 Undergraduate Law and Business Studies
- Year 2 of UIBA-MN37 Undergraduate Law and Business Studies (Qualifying Degree) with Intercalated Year
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
  - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
  - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
- Year 2 of UIBA-MN36 Undergraduate Law and Business Studies with Intercalated Year (4+1)