

# MAA 703 Management Accounting

## Semester 2, 2005

### Unit Guide

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#### Nature of the unit

Accounting information systems within an organization have two major subsystems: a management accounting system and a financial accounting system. The main distinction between the two is the targeted user. The management accounting system produces information for internal users, whereas the financial accounting system provides information for use mainly by persons outside the organisation. During your study of this unit you will be introduced to a range of topics that emphasise the use of accounting information by managers. Accurate and timely information is vital for the management process, and managers fulfil their organisational roles by using a number of concepts related to management accounting. Three main areas where management accounting information is used will be considered in this unit: planning, controlling and decision making.

**Planning** involves the detailed formulation of the actions needed to achieve a particular end. It requires setting objectives and identifying the best way to achieve those objectives, which may be either short-term or long-term. In this unit we will consider both short-term planning decisions e.g. cost volume profit analysis and, more generally, budgeting for profit planning and control.

**Controlling** follows on from planning. Once a plan is created, it must be implemented and a manager must monitor its implementation to ensure that the plan is being carried out properly and that objectives are being met. Control is usually achieved with the use of feedback, and it includes both an evaluation process and the taking of any necessary corrective actions. In this unit we will examine aspects of control such as standard costing, various financial performance measures and the use of transfer pricing.

**Decision making** is the process of choosing among competing alternatives. This process is closely related to planning and control because a manager cannot carry out either of these functions without making decisions. When choosing among competing objectives, and the possible methods of achieving these objectives, managers are engaged in decision making. This unit examines a number of aspects of decision making, with the focus being on the determination of the relevant costs and benefits to be taken into account in the decision-making process.

#### Learning objectives

At the completion of this unit students should be able to:

- explain the basic terms and concepts used in management accounting;
- use contemporary techniques to obtain and analyse accounting information for decision-making purposes; and
- discuss models of costing, budgeting and decision analysis.

#### Prerequisite

MPA 701/MAA701 *Accounting*.

Please note that MAA 703 is incompatible with MAA 752 *Managerial Accounting* (you can't do both).

## Content

This unit contains twelve topics.

**Topic 1 *Introduction to management accounting: Information for contemporary managers*** introduces the framework of management accounting and the cost concepts that underlie its use.

**Topic 2 *Cost behaviour*** expands on the fundamental costing concepts inherent in the management accounting environment as introduced in topic 1.

**Topic 3 *Cost volume profit analysis*** introduces cost-volume-profit relationships and explains how these three variables interact.

**Topic 4 *Introduction to product costing*** shows how products may be costed and how overhead rates are computed. It also examines the ways that the costs of providing services can be estimated.

**Topic 5 *Overhead costs***. This topic examines the nature of overhead costs and examines in detail the various ways of allocating overhead to products.

**Topic 6 *Activity-based costing*** introduces the use of activities as the focus of a costing system. Activity-based costing techniques help to identify the factors driving costs so that they can be taken into account when the cost of producing a product or service is estimated.

**Topic 7 *Standard costs for control*** introduces the use of standard costing systems. It explores how standard costs are set, as well as the process of calculating and investigating variances from standards. This topic also explains the role of variance analysis in achieving performance targets. It concludes by illustrating the differences between variable costing and absorption costing, and examining the relevance of each.

**Topic 8 *Budgeting: Profit planning and control systems*** explains the relationships between budgeting, planning and responsibility accounting. It explores the behavioural implications which are so important to successful budgeting. It includes an example of a master budget, as well as some financial planning models.

**Topic 9 *Financial performance measures and transfer pricing*** looks at the ways that performance can be measured in segments of an organisation with a decentralised organisational structure. In particular, it analyses the difficulties posed by the need to estimate transfer prices for 'internal' sales of goods or services.

**Topic 10 *Contemporary approaches to measuring and rewarding performance*** provides you with guidelines for developing performance measurement systems that provide a link between the day-to-day activities of a firm and its strategic priorities.

**Topic 11 *Managing costs and time for customer value*** will assist you to understand the various ways to categorise costs, and the alternative methods of linking them to cost objects.

**Topic 12 *Information for tactical decisions*** involves a study of how the unlimited wants and needs of firms and people can be satisfied to the greatest extent by using the limited resources that are available. The focus of this topic is on the use of management accounting information in various types of decision-making situations.

## Learning environments/Learning approach

The learning environment for Management Accounting is a mixture of print and online elements. The Study Guide topics are available in printed form, and they are also in the resources folder for this unit on DSO. The assignment will be made available on DSO. Readings are currently available only in printed hardcopy.

At various stages in this unit references will be made to relevant web sites, and students will be expected to make extensive use of web-based material for study and assignment purposes.

While the text book, study guide and readings permit off-campus students to proceed entirely on their own, they are encouraged to form self-help study groups. These groups can provide valuable support and assistance in satisfactorily completing this unit.

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## Learning resources

### Prescribed textbooks

The prescribed textbook for this unit is:

Langfield-Smith, K., Thorne, H. & Hilton, R. W. 2003, Management Accounting: An Australian Perspective, 3rd edn, McGraw-Hill, Sydney.

To order textbooks, reference books, general books and software from Unitexts, you can choose from the following options:

- phone 1800 686 681 (freecall) for fast processing of your order;
- email to [unitexts@deakin.edu.au](mailto:unitexts@deakin.edu.au); or
- order online from the Unitexts web site at <http://www.unitexts.deakin.edu.au>

Payment by Bankcard, Visa or Mastercard. All orders are processed and sent via fast courier delivery to your door.

If you require further information please phone (03) 5563 3212.

### Study Guide/Readings

A copy of the Study Guide is provided in hard-copy form to all post-graduate students. If you do not receive it you can contact the Course Materials Hotline:

- phone 1800 242 251 (freecall); or
- email to [coursematerials@deakin.edu.au](mailto:coursematerials@deakin.edu.au).

The study guide is your major reference as it contains an extensive commentary on each topic, in text and review questions with suggested answers, and a set of readings. If you are to gain maximum benefit from this study material, there are a number of points you should keep in mind.

- As you work your way through the study guide, please take time to review the topic objectives. These will identify the main focus of each topic, and outline what you should be able to achieve after completing the topic.
- When the study guide refers you to either the prescribed text or the additional readings, you should follow this instruction before continuing. These instructions are highlighted in bold print.
- The sequencing of topics is based on the rationale that each week builds on the preceding one. It is important to appreciate the cumulative nature of the course and to follow the stated sequence as closely as possible.

- The in-text and review exercises should be thoughtfully attempted and your answers compared with the suggested answers at the end of each topic before continuing. Your answers and the suggested answers will be a useful starting point when revising the unit at the end of the semester.
- If you are unable to understand fully, after careful re-reading, any sections of the study guide or text book, you should contact the lecturer immediately.

### Further resources

At the end of each topic you will find a list of references compiled by the topic's author. The primary purpose of the list is to identify the sources used by the author when preparing the topic's content. It is not necessary for you to read all, or any, of this source material.

Most topics will also have a list of further resources that have been recommended by the author in case you want to study a particular topic in more depth. Again, it is not compulsory for you to read all, or any, of this material.

Students may find it helpful to consult managerial accounting books other than the prescribed text book. The following books are recommended as possible supplementary study material:

Horngrén, C.T., Foster, G. & Datar, S.M. 2003. Cost Accounting: A Managerial Emphasis 11th edn. Prentice-Hall, New Jersey.

Garrison, R.H. & Noreen, E.W. 2003. Managerial Accounting 10th edn. McGraw-Hill, New York.

### Other resources

- The Deakin Learning Toolkit contains a number of resources that may be useful for this unit:
  - Web browsers and other software
  - Information about the Library

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## Staff and contact details

### Unit chair

John Donald

Tel: +613 9244 6466

Fax: +613 9244 6283

Email: [johnd@deakin.edu.au](mailto:johnd@deakin.edu.au)

Location: Room D 415 at Burwood (Building D, level 4, room 415).

### Lecturer

John Donald

Consultation hours for second semester 2005 will be advised early in the semester.

### Administrative queries

Queries relating to administrative matters should be addressed, in the first instance, to a student adviser, staff at the Faculty Office, Student Administration Group Manager or the Faculty Registrar. Inquiries can be made via email to: [postgrad-students@deakin.edu.au](mailto:postgrad-students@deakin.edu.au) (for all B&L postgraduate students).

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## Assessment

### Assessment tasks

You will be required to submit one group assignment, complete a mid-semester test and sit a final examination.

	Value (%)
Test	15
Group assignment	20
Final examination	65
	<u>100</u>

### Test (multiple choice)

Date and time: to be advised.  
Further details will be made available on DSO.

### Group Assignment

Due date: Tuesday 18 October.

The assignment will be completed by students working in groups of 3 or 4, and will be based on a costing case study. On-campus students will be required to form their own assignment groups, and this must be done by week 4 (Tuesday 10 August). Off-campus students will be assigned to groups based on the proximity of members to each other. An attempt will be made to group together off-campus students who live in the same general area. Obviously this will not be possible for students who live in remote parts of Australia or overseas. Each group must nominate a group leader.

Further details of the assignment will be made available on DSO early in the semester.

### The final examination

The final exam will be closed book and will last for 3 hours. It will include multiple-choice questions, practical questions requiring calculations and written response questions.

### Determination of final grade

To obtain a pass in this unit you must:

- 1 complete the mid-semester test,
  - 2 be a member of a group that submits a satisfactory assignment, and
- obtain a minimum of 33 marks out of 65 for the final exam.

Students who do not meet all of the above requirements will be given a maximum mark of 45 even if the total of their marks is greater than 50.

### Presentation of assignments

- Assignments should be word-processed using **double spacing** on one side only of single sheets of A4 paper. Please use font size 12 for legibility (assignments typed in a smaller font size will be returned to the group leader for re-submission).
- Leave a margin of at least 4 cm on the right side of each page for the assessor's comments.

- All sheets should be pinned or stapled firmly together at the top left-hand corner. Pages should be numbered. Plastic covers are unnecessary—they make handling more difficult.
- Remember to keep a copy of any work you submit (in printed form and on disk).

### **Assignment submission rules**

All assignments are to be submitted online to the DSO assignment box and in printed hard copy form either mailed to AASD (see below) or handed to the lecturer at the end of the class on the due date.

A copy of the Faculty Assignment Attachment Sheet must be completed and attached to each submitted hard copy assignment. This form is available from the Faculty offices or online. Off-campus students should also attach the form provided with their course materials.

Please note that the version of an assignment you submit electronically must be the same as any version you submit in hardcopy form. Staff will compare files submitted electronically with hard copy submissions. If differences are found, the version submitted electronically will be assessed.

Printed hard copies are to be submitted as follows:

- On-campus students must hand the printed version to the lecturer on or before the due date;
- Off-campus students must have their submission postmarked on or before the due date. Assignments must be mailed to:

Assignment Tracking  
AASD  
Deakin University  
Waurin Ponds, VIC, 3217

- You are expected to observe the due dates for assignments. We wish to return marked assignments quickly with full comments on them, so extensions are granted only in exceptional circumstances. No request for the extension of an assignment submission date will be considered unless it is made before the due date. Assignments are on time if they are submitted online on the due date.
- Assignments submitted late without an extension being granted will be penalised (1 mark per working day late).

Students enrolled through partnership agreements must submit as required by the unit co-ordinator at the partner institution on the due date.

### **Return of marked assignments and requests for reviews**

The marked assignments will be returned to group leaders, normally within 21 days of the due date (unless an extension has been granted).

Please note that before assignments are returned to you, the teaching team will have applied methods to ensure that the standards by which your work has been assessed are the same for all students enrolled in the unit.

You may request additional information from assessors or checks on addition or recording errors. You can contact the unit chair/coordinator directly, or use the 'Stage 1 Review' form available from the Faculty office. However, no reviews or remarks of assessment tasks are allowed unless you formally request such a review through the Faculty Academic Progress and Disciplinary Committee. Such requests must be submitted on the Administrative Review of Result form and may be submitted at any time up to 10 days after the release of final results for the unit.

## Special consideration

If you consider that your assessment was or is likely to be adversely affected by serious and exceptional circumstances beyond your control, you may apply for special consideration. Grounds can be medical, compassionate or hardship/trauma. A form is available from the Faculty office. Special consideration is not normally intended for assignments and other forms of continuous assessment during the semester – you should apply to the lecturer for an extension in such cases.

Applications for special consideration must be made no later than three days after the due date of the assessment task. They are referred to the relevant unit chair or nominee for determination and the outcome is notified within 10 working days of the application or before publication of final results for the unit.

## Plagiarism and other academic offences

Plagiarism is the copying of another person's ideas or expressions and presenting them as your own without an explicit indication of the source of the material. It includes copying written works such as books or journals, data or images that may be presented in tables, diagrams, designs, plans, photographs, film, music, formulae, web sites and computer programs. Plagiarism also includes the use of the work of lecturers or other students as your own without acknowledgment.

Intention to cheat is irrelevant in determining whether plagiarism has occurred – if you pass off the work of others as your own without acknowledgement, then you have offended, whether you knew you were doing it or not. Even the 'George Harrison defence' is irrelevant in determining if plagiarism has occurred. George's explanation for "My Sweet Lord" sounding like "He's So Fine" as recorded by the Chiffons in 1962 was "I did not knowingly copy another's work—it was just in my head so that I assumed it was original". George still plagiarised.

The University regards plagiarism as an extremely serious academic offence. The penalties associated with plagiarism may be severe and extend to cancelling all marks for the specific assessment item or for the entire unit or even exclusion from your course. These penalties are detailed in Part 2 of Regulation 4.1 (1) Student Discipline.

It is important to realise, however, that it is certainly not an offence to use the work of others in your work. On the contrary—a well-constructed essay or report should normally refer to and build on the work of others for positioning, supporting and strengthening your work and advancing knowledge. Plagiarism occurs when due recognition and acknowledgement of the work of others is not provided. Therefore, whenever you are using another person's research or ideas (whether by direct quotation or by paraphrasing) you must appropriately cite the source. If you are ever in doubt about the most appropriate form of referencing, you should consult your lecturer or Student Life.

Teaching teams will use a variety of methods to detect plagiarism, and some units may require that you submit your work to a system that can check your work for possible plagiarism.

Unauthorised collaboration is a similar offence. Unauthorised collaboration involves working with others with the intention of deceiving examiners about who actually completed the work. If there has been any collaboration in preparing individual assessment items, this must be disclosed. In the case of group project work, lecturers provide guidelines on what level of collaboration is appropriate and how the work of each participant in the project is to be assessed. If you have any doubt about what constitutes authorised and unauthorised collaboration you should consult your lecturer.

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## Academic skills – understanding academic requirements

### Writing style requirements

Written assessment tasks can vary from unit to unit and even within one unit. It is important that you understand what is required of a particular writing style to maximise your chances of academic success. Examples of writing styles used for assessment in the Faculty of Business and Law include assignments, essays, case studies and reports.

The following link to the Student Life website provides instruction on all of these different writing styles: [www.deakin.edu.au/studentlife/academic\\_skills/undergraduate/index.php](http://www.deakin.edu.au/studentlife/academic_skills/undergraduate/index.php)

### Referencing requirements

Referencing involves acknowledging original sources of information when producing written work. By referencing correctly, you not only give weight to any arguments or statements made in your work, but also avoid plagiarism.

Undergraduate and Postgraduate Course Students. The following links to the Student Life website provides a comprehensive guide on 'How to Reference Your Writing' (downloadable):  
[www.deakin.edu.au/studentlife/academic\\_skills/undergraduate/handouts/reference.php](http://www.deakin.edu.au/studentlife/academic_skills/undergraduate/handouts/reference.php)  
[www.deakin.edu.au/studentlife/academic\\_skills/postgraduate/handouts/reference.php](http://www.deakin.edu.au/studentlife/academic_skills/postgraduate/handouts/reference.php)

The following Library website provides a virtual tutorial on referencing and has an online quiz:  
[www.deakin.edu.au/library/tutorials/smartsearcher/](http://www.deakin.edu.au/library/tutorials/smartsearcher/)

HDR Students. The following Library website provides a virtual tutorial on referencing and has an online quiz: [www.deakin.edu.au/library/tutorials/smartsearcher/](http://www.deakin.edu.au/library/tutorials/smartsearcher/)

### Exam preparation

Examinations are an important part of assessment for most units in the Faculty of Business and Law. It is imperative that you learn how to prepare for an examination and how to best use your time during an examination so that you can attain academic success.

The following links to the Student Life website provides valuable information about how best to prepare and sit for an examination:  
[www.deakin.edu.au/studentlife/academic\\_skills/undergraduate/handouts/exams.php#](http://www.deakin.edu.au/studentlife/academic_skills/undergraduate/handouts/exams.php#)  
[www.deakin.edu.au/studentlife/academic\\_skills/postgraduate/handouts/exams.php#](http://www.deakin.edu.au/studentlife/academic_skills/postgraduate/handouts/exams.php#)

### Research skills

The library provides many resources to support your research. See [www.deakin.edu.au/library/findout/research/](http://www.deakin.edu.au/library/findout/research/)

### Further information

The Division of Student Life provides free on-campus academic skills workshops including: Organising and Time Management Skills; English Language Class; How to Avoid Plagiarism; Working in Groups; Your First Assignment; Lectures and Tutorials; and Writing University Assignments. See the following website for further details and dates of workshops:  
[www.deakin.edu.au/studentlife/academic\\_skills/oncampus\\_workshops/index.php](http://www.deakin.edu.au/studentlife/academic_skills/oncampus_workshops/index.php)

## Unit Planner for second semester 2005

Week commencing Monday	Topic	References (Langfield-Smith et al. 2003)
1. 18 July	1. Introduction to management accounting: Information for contemporary managers. 2. Cost behaviour	Chs. 1 & 2 Ch. 3
1. 25 July	3. Cost volume profit analysis	Ch. 17
2. 1 August	4. Product costing systems	Ch. 4
3. 8 August	5. Product costing systems (cont.). 6. Overhead costs	Ch. 4 Ch. 7
4. 15 August	7. Activity-based costing (Part A).	Ch. 8
5. 22 August	8. Activity-based costing (Part B).	Ch. 8
6. 29 August	9. Standard costs for control (Part A: Material and labour).	Ch. 10
7. 5 Sept.	10. Standard costs for control (Part B: Overhead)	Ch. 11
8. 12 Sept.	11. Budgeting: Profit planning and control systems	Ch. 9
9. 19 Sept.	12. Financial performance measures and transfer pricing	Chs. 12 & 13
	<b>Saturday 24 Sept. to Sunday 2 Oct. Mid-Semester Break</b>	
10. 3 Oct.	13. Contemporary approaches to measuring and managing performance.	Ch 14
11. 10 Oct.	14. Managing costs and time for customer value.	Ch 15
12. 17 Oct.	15. Information for tactical decisions.  <b>Assignment due Tuesday 18 October</b>	Ch. 18
13. 24 Oct.	<b>Study Week: Monday 24 Oct. to Friday 28 Oct.</b>	
14. 31 Oct.	<b>Exam period: Monday 31 Oct. to Friday 11 Nov.</b>  <b>Friday 2 December – SECOND SEMESTER RESULTS RELEASED on StudentConnect and via SMS to nominated mobile phones.</b>	