

6. Detailed study guide

A The nature and purpose of cost and management accounting

1. Nature of business organisation and accounting systems

- a) Describe the organisation, and main functions, of an office as a centre for information and administration.^[K]
- b) Describe the function and use of policies, procedures and best practices.^[K]
- c) Identify the main types of transactions undertaken by a business and the key people involved in initiating, processing and completing transactions.^[K]
- d) Explain the need for effective control over transactions.^[K]
- e) Explain and illustrate the principles and practice of double-entry book-keeping.^[S]
- f) Identify the key features of a computerised accounting system.^[K]

2. Nature and purpose of management information

- a) State the purpose of management information.^[K]
- b) Compare cost and management accounting with external financial reporting.^[K]
- c) Distinguish between data and information.^[K]
- d) Describe the features of useful management information.^[K]
- e) Describe and identify sources and categories of information including internal, external, primary and secondary.^[K]

- f) Explain the limitations of cost and management accounting information.^[K]

- g) Describe the role of a trainee accountant in a cost and management accounting system.^[K]

B Transaction processing

1. Transaction processing systems

- a) Describe the material control cycle (including the concept and calculation of 'free' inventory but excluding control levels and EOQ) and the processes necessary to order, receive, store and issue materials.^[K]
- b) Describe the systems used to ensure the correct authorisation, analysis and recording of direct and indirect material costs.^[K]
- c) Describe the systems used to ensure the correct authorisation, coding, analysis and recording of direct and indirect labour and expenses.^[K]
- d) Describe the systems used to ensure the correct analysis and recording of sales.^[K]

2. Coding system

- a) Explain and illustrate the use of codes in categorising and processing transactions.^[S]
- b) Explain and illustrate different methods of coding data (including sequential, hierarchical, block, faceted and mnemonic).^[K]
- c) Identify and correct errors in coding of revenue and expenses.^[S]

C Cost classification and measurement

1. Cost classification and behaviour

- a) Define cost classification and describe the variety of cost classifications used for different purposes in a cost accounting system, including by responsibility, function, behaviour, direct/indirect.^[S]
- b) Describe and illustrate the nature of variable, fixed, stepped fixed and mixed (semi-variable) costs.^[S]
- c) Describe and illustrate the classification of material and labour costs.^[S]
- d) Prepare and explain the nature and purpose of profit statements in absorption and marginal costing formats.^[S]
- e) Calculate the cost and profit of a product or service.^[S]

2. Cost units, cost centres, profit centres and investment centres

- a) Explain and illustrate the concept of cost units.^[K]
- b) Explain and illustrate the concept of cost centres.^[K]
- c) Explain and illustrate the concept of profit centres.^[K]
- d) Explain and illustrate the concept of investment centres.^[K]
- e) Describe and apply performance measures appropriate to cost, profit and investment centres.^[S]

D Accounting for costs

1. Accounting for materials

- a) Distinguish different types of material (raw material, work in progress and finished goods).^[K]

- b) Describe and illustrate the accounting for material costs.^[S]
- c) Calculate material requirements making allowance for sales and product/material inventory changes (control levels and EOQ are excluded).^[S]
- d) Explain and illustrate different methods used to price materials issued from inventory (FIFO, LIFO and periodic and cumulative weighted average costs).^[S]

2 Accounting for labour

- a) Describe and illustrate the accounting for labour costs (including overtime premiums and idle time).^[S]
- b) Prepare an analysis of gross and net earnings.^[S]
- c) Explain and illustrate labour remuneration methods.^[S]
- d) Calculate the effect of changes in remuneration methods and changes in productivity on unit labour costs.^[S]

3 Accounting for other expenses

- a) Explain the process of charging indirect costs to cost centres and cost units and illustrate the process of cost apportionment for indirect costs (excluding reciprocal service).^[S]
- b) Explain and illustrate the process of cost absorption for indirect costs including the analysis and interpretation of over/under absorption.^[S]

4 Accounting for product costs

- a) Job costing
 - (i) Describe the characteristics of job costing.^[K]
 - (ii) Calculate unit costs using job costing.^[S]
- b) Batch costing
 - (i) Describe the characteristics of batch costing.^[K]

- (ii) Calculate unit costs using batch costing.^[S]
- c) Process costing
 - (i) Describe the characteristics of process costing.^[K]
 - (ii) Identify situations where the use of processing costing is appropriate.^[K]
 - (iii) Explain and illustrate the nature of normal and abnormal losses/gains.^[K]
- e) Describe how to move/copy and paste data and formulae.^[S]
- f) Describe, and select as appropriate, ways to edit data in a cell including the Find and Replace feature.^[K]
- g) Explain the causes of common error messages and how errors are corrected.^[K]

E Spreadsheets

1. Spreadsheets overview

- a) Explain the purposes of a spreadsheet.^[K]
- b) Describe the components of a blank spreadsheet screen.^[K]
- c) Describe methods to use/activate spreadsheet features.^[K]
- d) Describe methods of selecting ranges of cells.^[K]
- e) Explain the role of spreadsheets in management accounting.^[K]
- f) Describe the advantages and limitations of spreadsheets.^[K]

2. Creating and using spreadsheets

- a) Explain factors which influence spreadsheet design and the features of a well-structured worksheet/workbook.^[K]
- b) Explain how to enter values, text and dates including automatically filling a range of cells and capturing data from another source.^[K]
- c) Identify and use formulae incorporating common arithmetic operators, use of brackets, absolute/relative cell references and simple functions (Sum, Average, Round, IF).^[S]
- d) Identify and use formulae in a workbook containing multiple worksheets and link cells from different workbooks.^[S]

3. Presenting and printing spreadsheet data/information

- a) Describe and illustrate appropriate formatting features for the display of numbers, text, cell borders and patterns and for cell/worksheet protection.^[S]
- b) Describe features which can be applied to rows or columns (changing height/width, inserting, deleting and hiding).^[K]
- c) Describe features which affect the on-screen view and can be particularly useful when working with large worksheets/workbooks.^[K]
- d) Use Sort and Filter to manipulate data.^[K]
- e) Describe how charts (line, column, bar, pie, scatter, area) can be created from spreadsheet data and interpret the data shown.^[S]
- f) Describe and illustrate the appropriate use of adding comments to a cell.^[K]
- g) Describe how to select the output to be printed.^[K]
- h) Select the combination of page layout/set-up options to achieve an effective, user-friendly printed output, especially for worksheets containing large amounts of data.^[S]