

Cost and management accounting

Unit level 4

Unit code A/650/9639

GLH 60

Credit value 15

Unit grading structure

Pass-Merit-Distinction

Unit aims

Individuals will have the skills to provide relevant information for short-term and long-term decision making in relation to costing and pricing whilst ensuring that employees are motivated to achieve individual objectives and the objectives of the business as a whole.

Learning outcomes

The learner:

Assessment criteria

The learner can:

Pass

Merit

Distinction

1. Understands cost accounting techniques and pricing strategies.

1. Describe different costing approaches used to provide management information.

1. Analyse the advantages and disadvantages of different costing approaches used to provide management information.

1. Evaluate the link between contribution and cost volume profit analysis.

2. Explain how pricing strategies enable organisations to achieve a competitive advantage.

3. Explain the importance of contribution.

2. Can use cost accounting techniques and pricing strategies.

1. Apply different costing approaches used to provide management information.

1. Apply a range of market-based pricing strategies.

2. Use indexation factors to forecast information for costing purposes.

3. Understands employee management techniques used to improve quality.

1. Describe motivational methods used to improve employee performance.

2. Explain different methods organisations use to reward employees for good performance.

3. Describe key factors in setting appropriate personal targets for employees.

1. Evaluate the use of motivational methods used to improve employee performance in a specific organisation.



Indicative content

1. Understand costing accounting techniques and pricing strategies

Costing approaches

- Traditional absorption costing
- Marginal costing
- Target costing.

Responsibility accounting

- Explanation of different types of responsibility such as cost centres, profit centres, revenue centres etc.

Pricing strategies

- Marginal pricing
- Cost plus pricing
- Customer based pricing
- Competitive pricing (skimming and penetration)
- Mark up and margins.

Application of pricing theory to scenarios identifying relevant methods that an organisation can use to achieve advantage over its competitors.

Contribution

- Selling price per unit less variable costs per unit = contribution per unit
- Carry out break-even analysis
- Carry out what-if analysis.

2. Can use costing accounting techniques and pricing strategies

Complete calculations for different costing approaches:

- for 'cost per unit' under the different methods and explain the differences between each of the costing methods with recommendations of suitability for a particular business.
- to apply marginal costing principles, explaining the term contribution and its importance in preparing a range of short-term decision-making calculations (breakeven point, margin of safety, contributions/sales ratio, what-if analysis).

Indexation factors to forecast information for costing purposes

The ability to use different indexation factors e.g. retail price index for forecasting purposes.

Market-based pricing strategies

Complete calculations and apply the following pricing strategies:

- Marginal pricing
- Cost plus pricing
- Customer based pricing
- Competitive pricing (skimming and penetration)
- Mark up and margins.

3. Understand employee management techniques used to improve quality

Motivational methods

- Herzberg
- Maslow
- Taylor
- Mayo.

Rewarding employees financial rewards:

- Time rate
- Overtime
- Piece rate
- Commission
- Performance related pay
- Profit sharing
- Salaries
- Fringe benefits.

Non-financial rewards:

- Membership of sports clubs and gyms
- Training and development
- Creche facilities
- Subsidised shopping and discounts
- Flexible working arrangements
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Working practices to improve motivation, productivity and efficiency:

- Job rotation
- Job enlargement
- Job enrichment
- Empowerment
- Team working.

Factors for setting personal targets SMART targets:

- Specific
- Measurable
- Achievable
- Realistic
- Time-bound.

Suggested resources

Textbooks

Atrill, P & McLaney E (2021) *Financial Accounting for Decision Makers* 10th Edition (Pearson)

Drury, J C (2007) *Management and Cost Accounting* 7th Edition, Chapman and Hall

Horngren, C T *Introduction to Management Accounting, 16th edition* (Pearson)

Wood, F & Sangster (2004) *Business Accounting Volume 2* (10th edition), FT Prentice Hall

Websites

Kaplan Publishing, Study text: Management Accounting – Costing <https://kaplanpublishing.co.uk>

Videos

<https://youtube.com>

Introduction to cost and management accounting, Step by Step guide, Mike Werner

Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.

The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.