



**The Association of  
Certified Public Accountants (Int)  
Professional 1  
Strategic Management Accounting**

---

**Contents**

	<b>Page</b>
<b>1. Information Systems</b>	
Introduction	103
Aims	103
Management Accounting	104
Factors to Consider When Setting up a Management Accounting System	105
Information and Data	106
Sources of Information	107
Budget Centres and Budgetary Control	112
Problems of Budget Centre Selection	114
Control Information	115
<b>2. Modern developments – Industry and Commerce</b>	
Introduction	203
World Class Manufacturing	203
Product Life Cycle	205
Value Added Analysis	206
Just In Time	207
Material Requirement Planning	210
Manufacturing Resource Planning	211
Optimised Production Technology	212
<b>3. Quality</b>	
Introduction	303
Levels of Quality - Total Quality Management	303
Levels of Quality -Cost of Quality	306
Factors influencing quality requirements	308
Measurement, Analysis and Reporting of Quality costs	310
Quality Circles and Quality Audits	313
<b>4. Strategic Management</b>	
Introduction	403
Types of Organisation	403
The Problems of Managing Organisations	404
Introduction to Strategic Planning	407
The Environment of Organisations	409
Strategic and Traditional Management Accounting Compared	410



**The Association of  
Certified Public Accountants (Int)  
Professional 1  
Strategic Mangement Accounting**

---

**Contents**

	<b>Page</b>
<b>5. Expenses and Overheads</b>	
Introduction	503
Notional Expenses	503
Capital Equipment	504
Overhead Costs	504
Overhead Allotment	507
Overhead Absorption	511
The use of Predetermined Absorption Rates	515
Treatment of Administration Overhead	517
Treatment of Selling and Distribution Overhead	517
Activity Based Costing	519
<b>6. Methods of Costing</b>	
Introduction	603
Specific Order Costing	603
Process Costing	604
Factory Job Costing	605
Contract Costing	609
<b>7. Marginal Costing</b>	
Introduction	703
Limitations of Absorption Costing	703
Fixed, Variable and Semi-Variable Costs	704
Definition of Marginal Cost	706
Uses of Marginal Costing	707
Limiting Factor of Production	710
Arguments Against Marginal Costing	712
<b>8. Process Costing</b>	
Introduction	803
Building up Process Costs	803
Techniques	804
Using FIFO and Average Methods	812
Further techniques when there are losses in process	813
Notes on Abnormal Loss Account and Scrap Account	815
Notes on the Abnormal Gain Account, Normal Loss Account and Scrap Account	816
<b>9. Joint Products, By-Products and Operating Costing</b>	
Joint Products	903
By-Products	904
Operating Costing	907
Process Costing Involving Both Losses and Work-In-Progress	909



**The Association of  
Certified Public Accountants (Int)  
Professional 1  
Strategic Mangement Accounting**

---

**Contents**

	<b>Page</b>
<b>10. Activity Based Costing</b>	
Introduction	1003
Stages in Activity Based Costing	1004
Cost Drivers	1004
Advantages of ABC	1004
Problems Encountered	1005
Through-put Accounting	1014
Back-flush Accounting	1014
<b>11. Accounting Control Systems</b>	
Introduction	1103
Planning	1103
Budgetary Systems	1107
Control Theory	1108
Sales Forecasting	1110
Learning Curve Theory	1115
Behavioural aspects of budgeting	1120
Fixed and Flexible Budgets	1128
Budget Problems and Methods to Overcome	1129
Zero Base Budgeting (ZBB)	1130
<b>12. Standard Costing</b>	
Introduction	1203
Definitions	1203
Types of Variances	1205
Reconciliation Between Budgeted Profit and Actual Profit	1209
Marginal Cost vs. Absorption Costing	1209
Idle Labour and Idle Machine Time	1210
Mix and Yield Variances	1210
<b>13. Variance Analysis and Investigations</b>	
General	1303
Planning and operational variances	1303
Sub-variances	1309
Operating Statements	1310
Investigation of Variances	1311
Uncertainty in Variance Analysis	1316
Significant Variances - Control Charts	1316
Statistical Significance Method of Control	1318
Statistical Decision Theory	1319
Rule of Thumb Method	1320



**The Association of  
Certified Public Accountants (Int)  
Professional 1  
Strategic Mangement Accounting**

---

**Contents**

	<b>Page</b>
<b>14. Decision Making</b>	
Organisational Objectives	1403
Attributes of Objectives	1406
Financial Objectives	1406
Non financial Objectives	1407
Compatibility of Objectives	1409
The Objective of Decision Making	1410
Levels of Decision Making	1411
Stages of the decision-making process	1413
Decision making criteria	1414
Opportunity Costs	1416
Incremental Costs	1417
Relevant Costing and Differential Costing	1418
<b>15. Risk and Uncertainty</b>	
Introduction	1503
Dealing with Risk and Uncertainty	1503
Methods of Dealing with Risk and Uncertainty	1504
Risk Measurement and Policy	1505
Expected Value Tables	1506
Sensitivity Analysis	1514
<b>16. Cost, Volume, Profit (CVP) Analysis</b>	
Introduction	1603
Break-Even Analysis	1604
Break-even Charts – single products	1607
Break-even Charts – multi products	1608
Assumptions and Limitations of Break-even Charts	1608
Profit/Volume Analysis	1610
Profit/Volume Graph for More Than One Product	1612
<b>17. Other Tactical Decisions</b>	
Contribution Analysis	1703
Other Tactical Decisions	1710
Shutdown Decisions	1711
Make or buy decisions	1712
Divestment Decisions	1713
Exercises	1714



**The Association of  
Certified Public Accountants (Int)  
Professional 1  
Strategic Mangement Accounting**

---

**Contents**

	<b>Page</b>
<b>18. Capital Investment Appraisal</b>	
Introduction	1803
Review of Appraisal Methods	1804
Payback Period	1805
Discounted Payback	1805
Net Present Value (NPV)	1806
Internal Rate of Return (IRR)	1808
Project Duration	1809
<b>19. Pricing</b>	
Introduction	1903
Three basic approaches to pricing setting	1903
Pricing Decisions	1905
Variables Influencing Demand	1907
Factors Which Influence Elasticity of Demand	1909
Optimum Price / Output Model	1911
Practical Pricing Strategies	1914
New Product Pricing	1916
Further Aspects of Pricing Policy	1920
Discount Policy	1921