

# Professional I



Paper 3 – Strategic Management Accounting

Examination Duration: 3 hours

**OBJECTIVES:** To develop Analytical and Critical abilities through a study of Costing theory and its application in practice. To develop an understanding of the practical Constraint imposed in cost data as part of Management Information Systems for control and decision-making.

SYLLABUS	Knowledge Requirements
1. <b>PLANNING, CONTROL AND COST ACCOUNTING:</b> Use of the costing system to support management's functions of planning, controlling, motivating and decision making: Appraising the effectiveness of existing systems and approach to modification/Revision. Behavioural aspects of responsibility accounting.	A
2. <b>COST ACCOUNTS AND EXTERNAL REPORTING:</b> Reconciliation of Cost with financial accounts. Importance of Cost management accounting when selecting the firms accounting system. Internal audit.	A
3. <b>PROCESS COSTING:</b> Advanced aspects of syllabus in CA I to include treatment of abnormal gains and losses: equivalent production of closing stocks: distinction between by products and joint products. Standard Costs and process costs.	A
4. <b>COST/VOLUME/PROFIT ANALYSIS:</b> Marginal costing as applies to multi product firms: problems connected with product mix: make or buy decisions: breakeven analysis: effect of sales mix.	A
5. <b>DIFFERENTIAL COSTS</b> and their application to decision making: Relevance of such costs, opportunity costs: conversion costs and added value. Time aspect of differential accounting (e.g. DCF Techniques).	A
6. <b>BUDGETARY CONTROL:</b> Advanced aspects of syllabus for CA I including fixed and flexible budgeting: Identification of key factors cash Budgeting: Capital budgeting and investment decisions Introduction to mathematical. Techniques e.g. expected Values: Zero Based Budgeting.	A
7. <b>STANDARD COSTING:</b> Comprehensive analysis of main and subsidiary variances including sales. Presentation of accounts including variances, and their reconciliation with accounts produced for external reporting.	A
8. <b>COST FOR PRICING DECISIONS:</b> Economic and Cost based pricing models. Price differentiation: Decentralization and transfer pricing: The learning curve and its effect on pricing, standards etc.	A