

**WESTMINSTER**

International University in Tashkent

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An Accredited Institution of  
the University of Westminster (UK)

# **MANAGEMENT ACCOUNTING**

• **Feruz Yodgorova** •

Course Leader (BSc in Finance), Lecturer

# Module Details

Every Teaching Week will involve:

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Lecture 1 hour: cover main points of the topic

Seminar 2 hours: MCQs, exercises and mini-cases

Workshop 1 hour: group exercises and discussions, workings in Excel

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Management Accounting Module Team:



**Feruza Yodgorova**  
Module Leader



**Abdulaziz Djalilov**  
Lecturer



**Abdulaziz Buriev**  
Lecturer

## MODULE DETAILS

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Office hours: Friday, 3pm-5pm

MAccWIUT2022-2023  
(Telegram channel)  
Quickly Join!



# MODULE LEARNING OUTCOMES:

**Upon completion of the module, successful students will be able to:**

-  1. Apply management accounting principles in making strategic, operational and tactical decisions;
-  2. Contrast between various costs and cost accounting methods/techniques for the purpose of determining a product cost to evaluate competitiveness;
-  3. Apply Cost-volume-profit analysis in decision-making;
-  4. Develop planning and organizational abilities by preparing a master budget and making variance analysis as planning and control tools;
-  5. Enhance ability and skills to work well in teams and independently in assessing cost efficiency of a company and its overall performance by preparing and using management accounting information;
-  6. Complete tasks and assignments using problem-solving and analytical skills.

## ASSESSMENT METHODS AND WEIGHTINGS

Assessment name	Weighting % Qualifying mark %	Weighting % Qualifying mark %	LOs covered	Topics covered	Assessment type
Mid-term exam	40%	30	1,2,3	Lectures 1-5	A time-constrained closed book exam (In-class test)
Final exam	60%	30	2,3,4,5,6	Lecture 1-11	A time-constrained closed book exam (Final Exam)

## TOTAL STUDENTS' LEARNING AND TEACHING HOURS

Activity type	Category	Student learning and teaching hours
Lecture	Scheduled	12
Seminar	Scheduled	24
Workshops	Scheduled	12
Independent study	Independent	152
<b>Total student learning and teaching hours</b>		<b>200</b>

FLIPPED CLASSROOM  
(PRIOR PREPARATION BEFORE THE SEMINAR)

# The Flipped Classroom

DURING

IN CLASS



PRACTICE

PREPARE



BEFORE

OUT OF CLASS

PROCESS



AFTER

# LECTURE 1

## INTRODUCTION TO MANAGEMENT ACCOUNTING





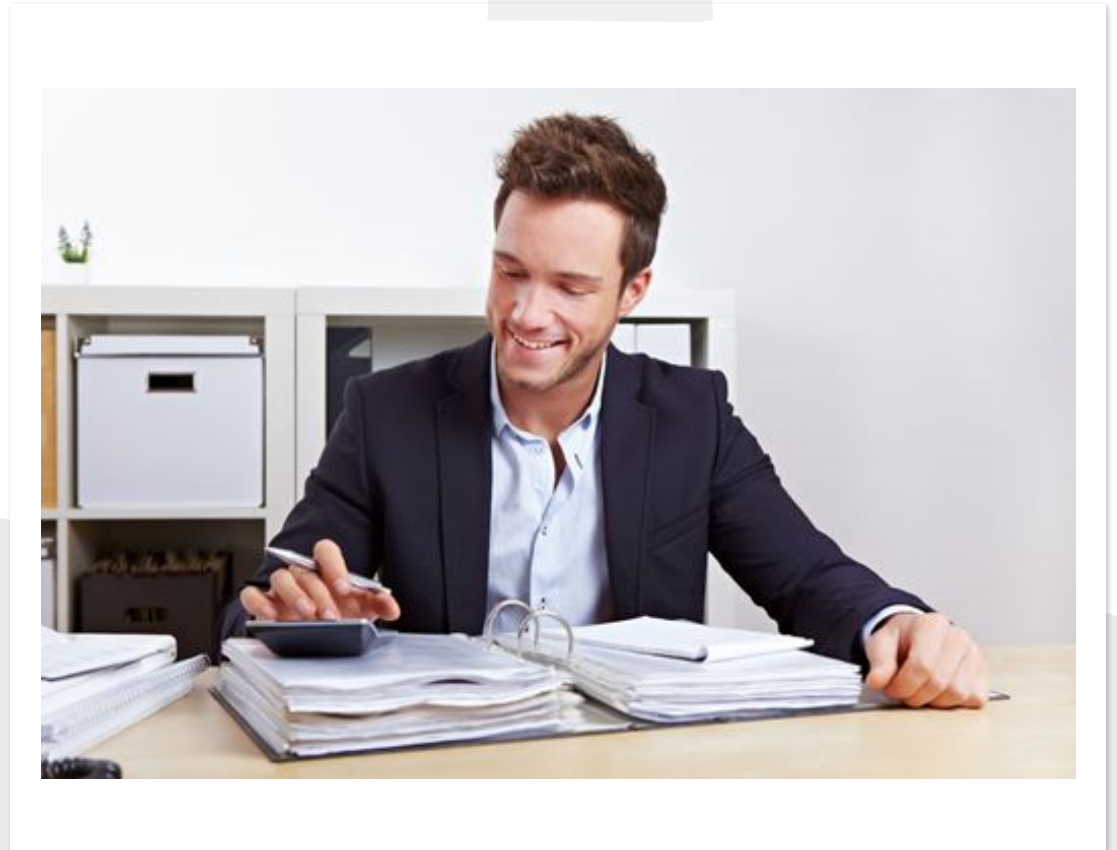
# LECTURE 1. LEARNING OUTCOMES:

1. Identify the purpose and role of management accounting within an organization.
2. Distinguish financial accounting from management accounting.
3. Differentiate the managerial processes of planning, decision making and control.
4. Demonstrate the difference between strategic, tactical and operational planning.
5. Illustrate and explain the five-step decision-making process and its role in management accounting.
6. Outline three guidelines management accountants follow in supporting managers.
7. Distinguish between data and information.
8. Summarize and explain the attributes of good information.
9. Analyze sources of information from within and outside the organization (including government statistics, financial press, professional or trade associations, quotations and price list).
10. Examine sampling techniques (random, systematic, stratified, multistage, cluster and quota).
11. Present information using tables, charts and graphs (bar charts, line graphs, pie charts and scatter graphs).
12. Outline the importance of professional ethics for management accountants.



**Management accounting** is the 'application of the principles of accounting and financial management to create, protect, preserve and increase value for the shareholders of for-profit and not-for-profit enterprises in the public and private sectors.'

**CIMA Official Terminology**

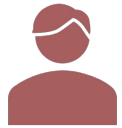


**A CASE FROM MANUFACTURING SECTOR**

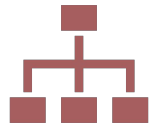
# RESPONSIBILITIES OF MANAGERIAL ACCOUNTANTS:

- Gather and analyze financial information for internal use;
- Support budgeting and funding;
- Evaluate the company's performance using key data;
- Make forecasts to assist business planning and decision-making;
- Conduct risk assessment and advise on ways to minimize risk;
- Advise on problems and suggest improvements;
- Supervise lower-level personnel;
- Make upper-level strategy recommendations based on financials;
- Supporting auditing projects;
- Recommend methods and strategies for cutting cost.

# MANAGERIAL ACCOUNTANTS IN THE ORGANIZATION



1. CFO (chief financial officer)



2. Line management



3. Staff management



4. Controller



5. Treasurer

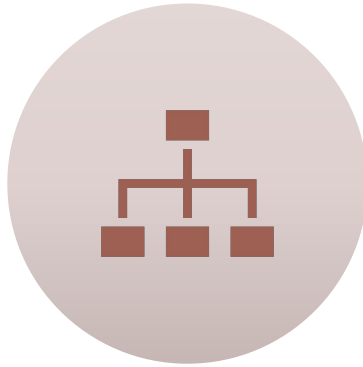
# COMPARISON OF FA AND MA

	<b>Financial Accounting</b>	<b>Managerial Accounting</b>
<b>1. Users</b>	External persons who make financial decisions	Managers who plan for and control an organization
<b>2. Time focus</b>	Historical perspective	Future emphasis
<b>3. Verifiability versus relevance</b>	Emphasis on verifiability	Emphasis on relevance for planning and control
<b>4. Precision versus timeliness</b>	Emphasis on precision	Emphasis on timeliness
<b>5. Subject</b>	Primary focus is on the whole organization	Focuses on segments of an organization
<b>6. GAAP</b>	Must follow GAAP and prescribed formats	Need not follow GAAP or any prescribed format
<b>7. Requirement</b>	Mandatory for external reports	Not Mandatory

THE MAIN FUNCTIONS OF MANAGEMENT ARE:



**1. PLANNING**



**2. CONTROL**



**3. DECISION-MAKING**

## EXAMPLE:

### HOW GEORGE GOES THROUGH THESE 3 STAGES



#### Planning

- How much should we budget on production of refrigerators, gas-range stoves, dishwashers?
- How many units of each item should be produced?

#### Controlling

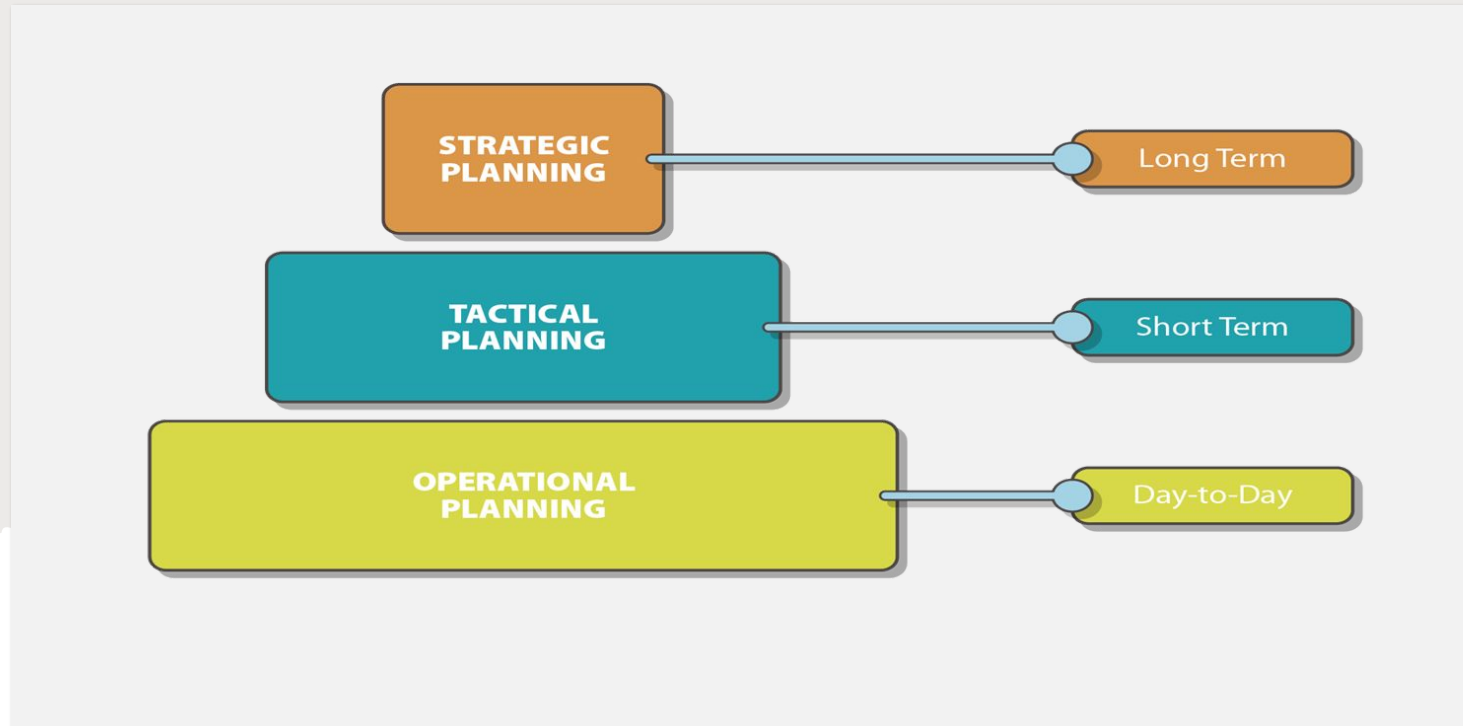
- Do we spend the same amount of materials for the production as we planned?
- Do we use the same amount of labour force for the production as we expected?

#### Decision-making

- Should we continue production of dishwashers if their sales is very low?
- Is it better for us to sell our products directly to customers or use distributors?

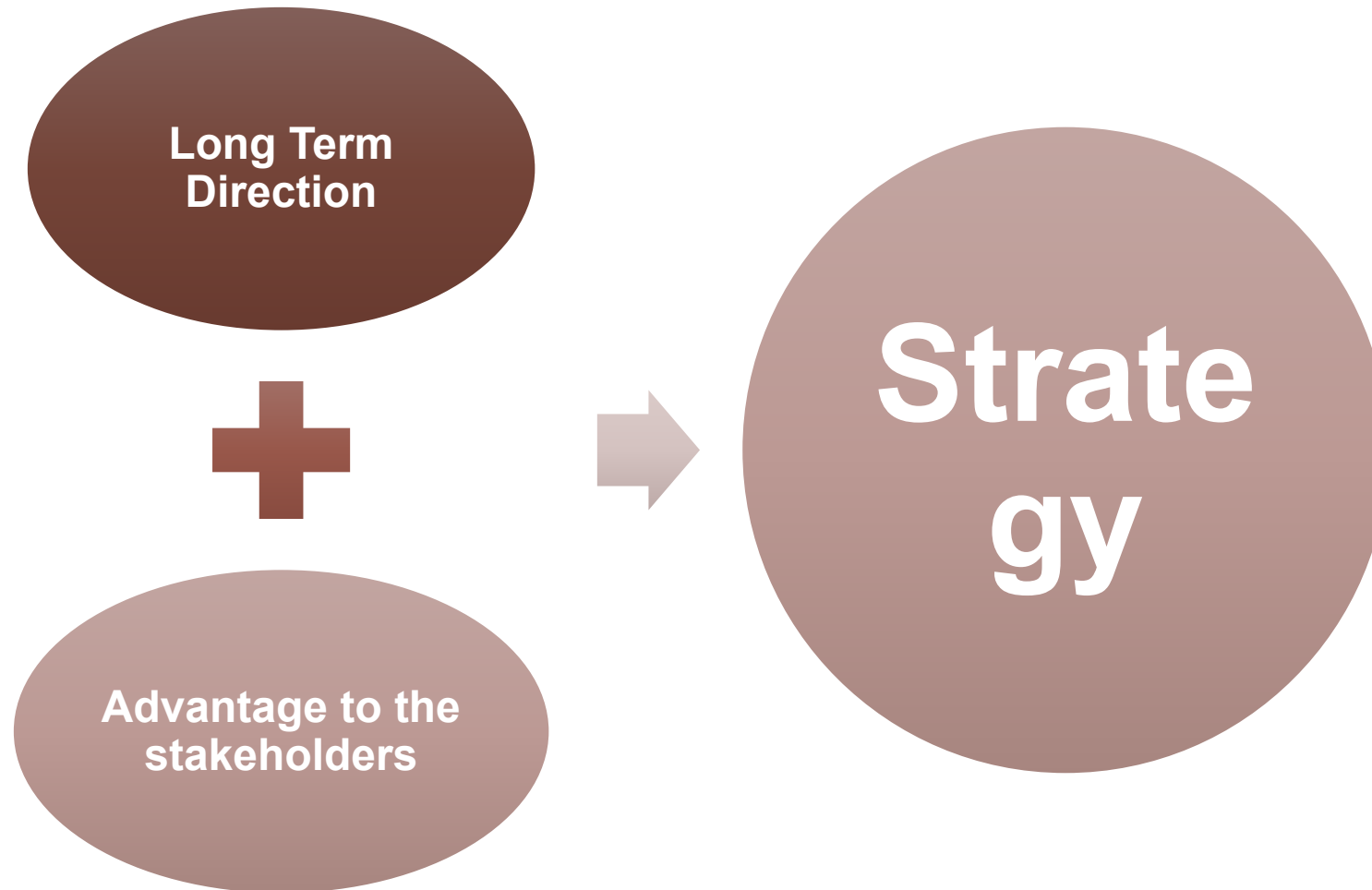


# DIFFERENCE BETWEEN STRATEGIC, TACTICAL AND OPERATIONAL PLANNING



# STRATEGIC DECISIONS AND THE MANAGEMENT ACCOUNTANT

What is strategy?



# EXAMPLES FOR STRATEGIES

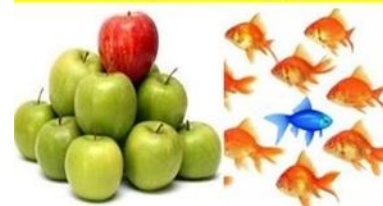
## 1. Cost leadership strategy



## 2. Product differentiation

### Product Differentiation

*The process of distinguishing a product or service from others to make it more appealing to a specific target market.*



#### Top Speed



<b>Product Differentiation</b>	<b>Features, warranty, durability, performance</b>
<b>Service Differentiation</b>	<b>Ordering ease, customer training</b>
<b>Channel Differentiation</b>	<b>Coverage, expertise, performance</b>
<b>Relationship Differentiation</b>	<b>Competence, courtesy, credibility</b>
<b>Reputation Differentiation</b>	<b>Perception, advertising, communication</b>
<b>Price Differentiation</b>	<b>By customer, by quantity, by segment</b>

# FIVE-STEP DECISION-MAKING PROCESS:

**1. Identify the problem and uncertainties;**

**2. Obtain information;**

**3. Make predictions about the future;**

**4. Make decisions by choosing among alternatives;**

**5. Implement the decision, evaluate performance, and learn.**

## EXAMPLE:

### HOW GEORGE GOES THROUGH THESE 5 STAGES

#### 1. Identify the problem and uncertainties.

(Revenue is decreasing due to increasing production costs);

#### 2. Obtain information.

(George asks his production manager to provide all the necessary data on labor costs, worker efficiency, cost of materials, material usage, overhead costs);

#### 3. Make predictions about the future.

#### 4. Make decisions by choosing among alternatives.

(He decides to improve the efficiency of the production process so that less material is wasted. Reducing a high level of waste ties which is especially present in packaging department);

#### 5. Implement the decision, evaluate performance, and learn.

(Due to this measure, George managed to increase total revenue by 5% during next accounting period).



## 3 MANAGEMENT ACCOUNTING GUIDELINES:

**1. Cost-Benefit Approach**

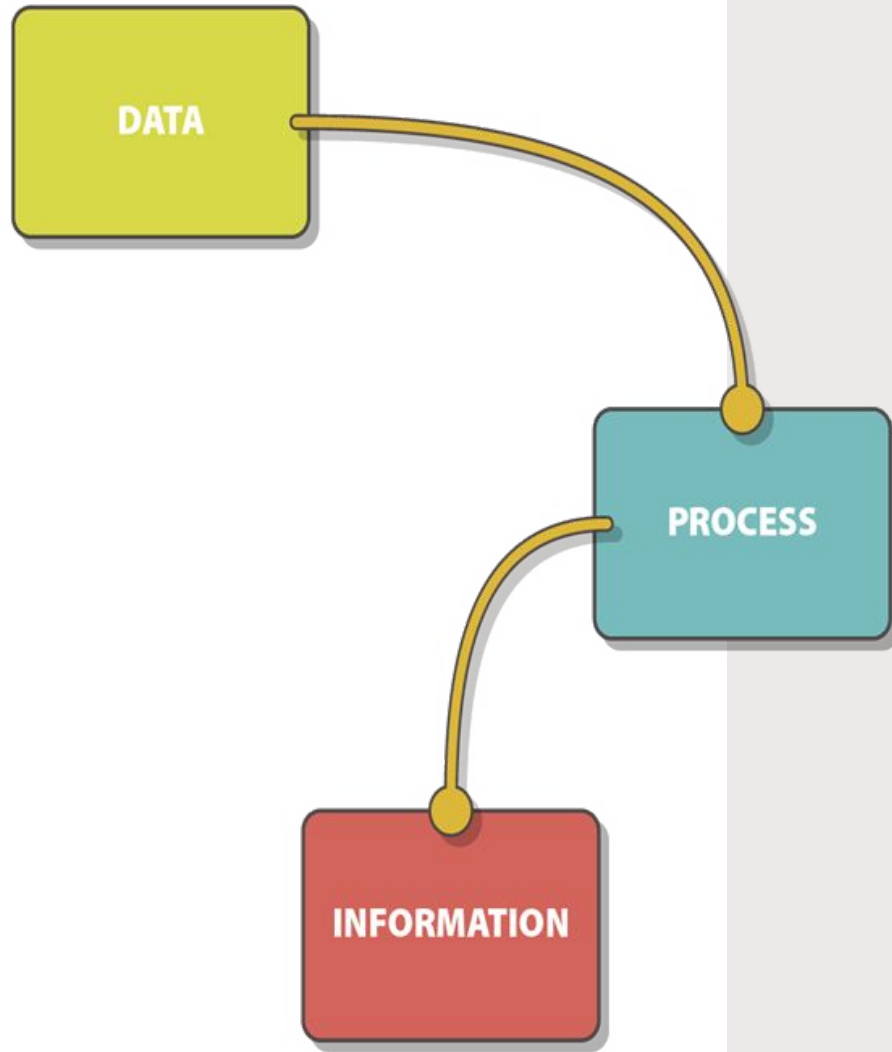


**2. Behavioural and Technical Considerations**



**3. Different Costs for Different Purposes**





## SOURCES OF DATA

- **Data** is the raw material for data processing.
- **Information** is data that has been processed in such a way as to be meaningful to the person who receives it.

# ATTRIBUTES OF GOOD INFORMATION

**Good information should be ACCURATE:**

Accurate

Complete

Cost-effective

Understandable

Relevant

Accessible

Timely

Easy to Use



# TYPES OF INFORMATION:

- 1. Financial
- 2. Non-financial
- 3. A combination of financial and non-financial information



# INFORMATION CAN BE GATHERED EITHER VIA INTERNAL OR EXTERNAL SOURCES

## Internal Information

- Accounting Records;
- HR & Personnel Information

## External Information

- From government agencies;
- Banks

# SAMPLING TECHNIQUE

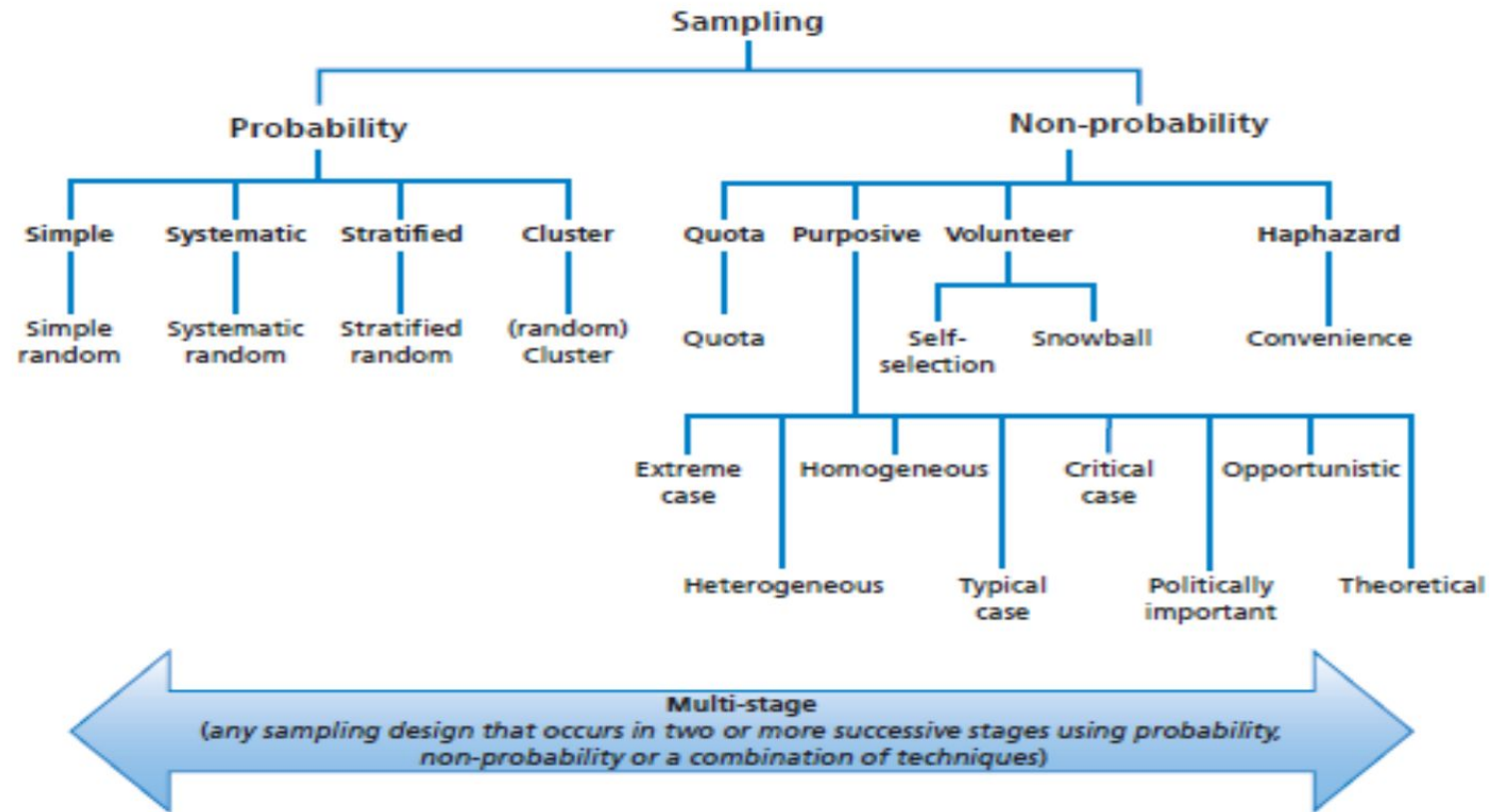
## **Probability sampling methods:**

1. Random
2. Systematic
3. Stratified random
4. Multi-stage
5. Cluster

## **Non-probability sampling method:**

1. Quota sampling:
2. Snowball sampling:
3. Judgmental or Purposive sampling
4. Convenience sampling

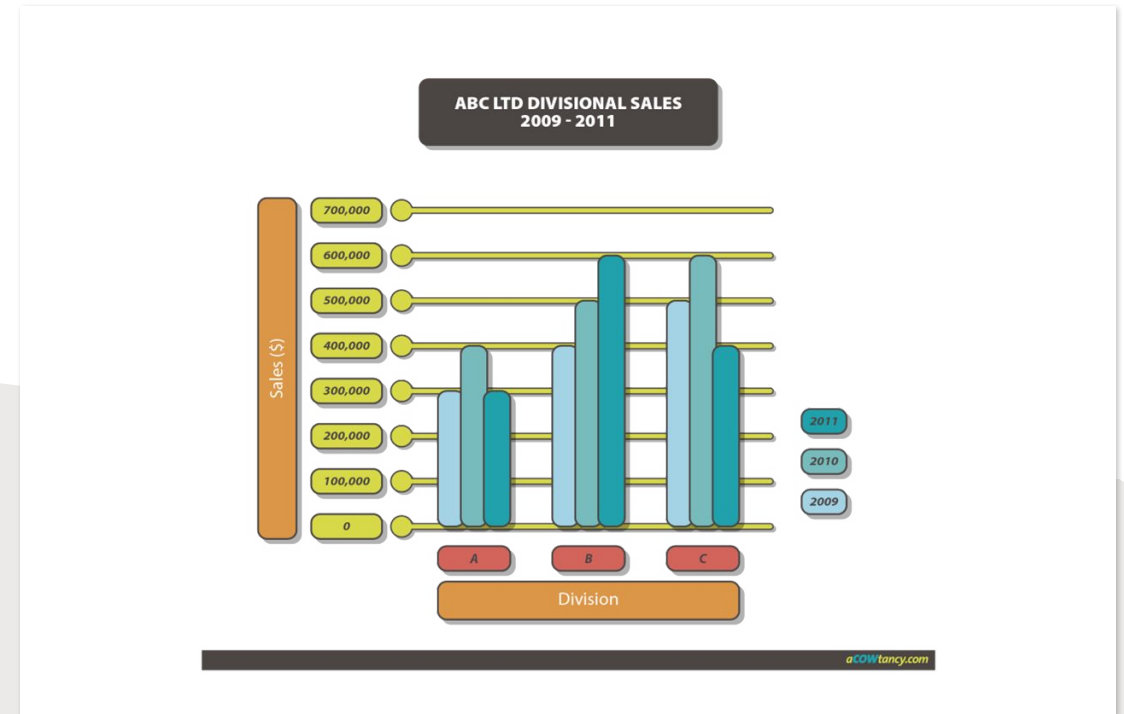
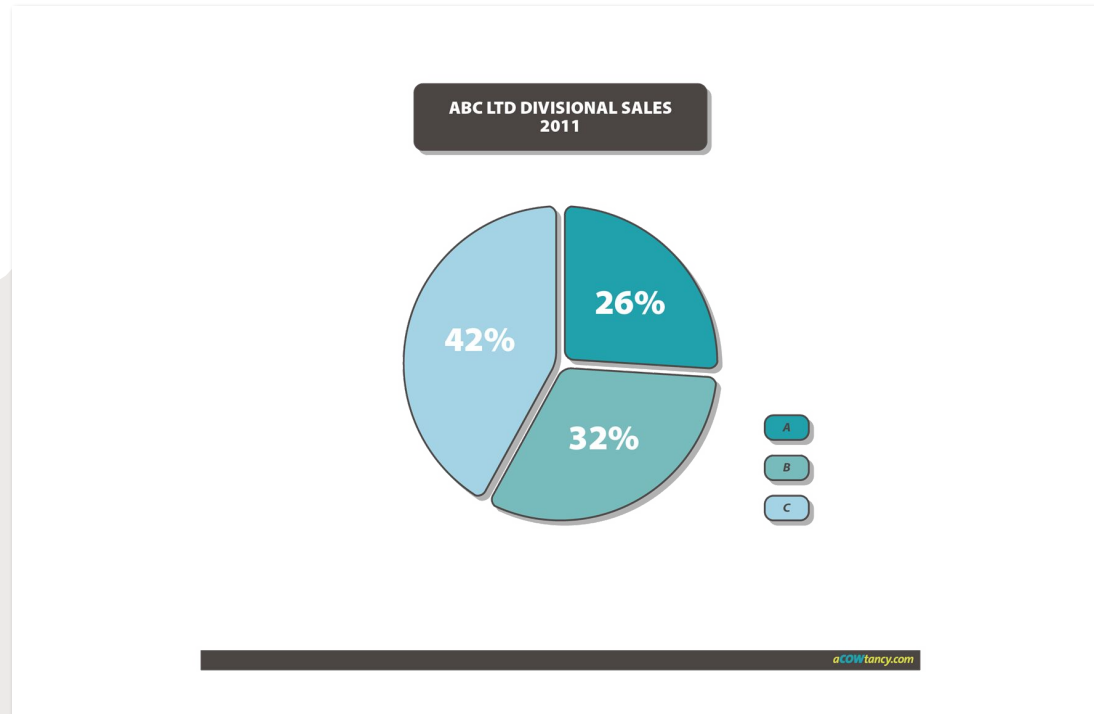
# SAMPLING TECHNIQUE



Source: Saunders,  
2019



## PRESENTING INFORMATION



1. Written reports;
2. Tables, charts and graphs (need interpretation).

# IMA STATEMENT OF ETHICAL PROFESSIONAL PRACTICE PRINCIPLES

- Honesty
- Fairness
- Objectivity
- Responsibility



# IMA STATEMENT OF ETHICAL PROFESSIONAL PRACTICE STANDARDS



1. COMPETENCE



2. CONFIDENTIALITY



3. INTEGRITY



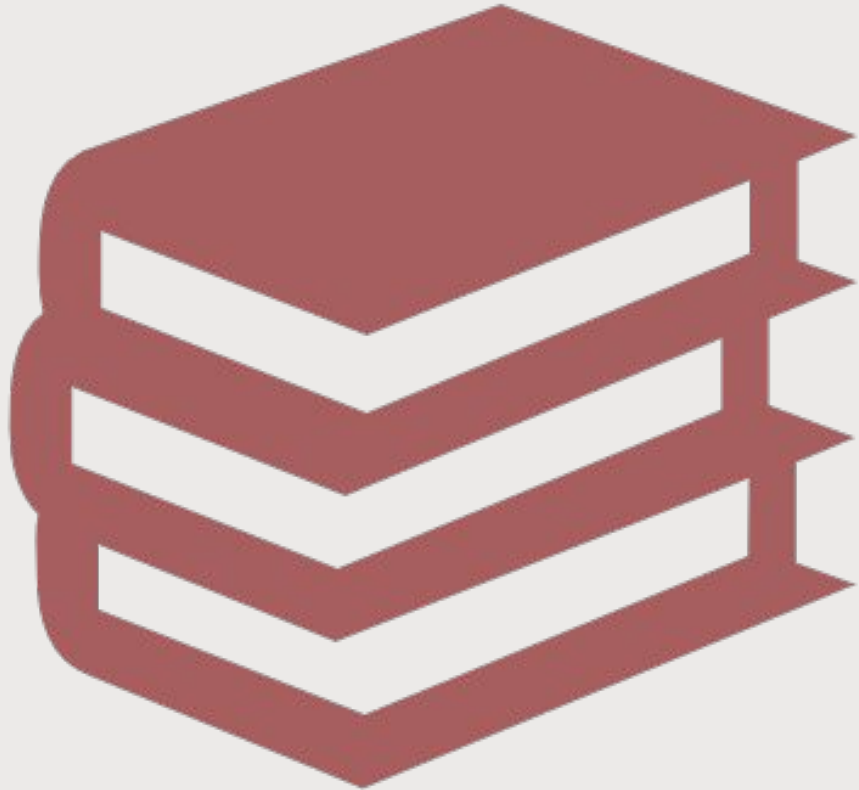
4. CREDIBILITY

# PROFESSIONAL QUALIFICATIONS AND PROFESSIONAL BODIES





# LITERATURE



1. Srikant M. Datar, Madhav V. Rajan (2018), Horngren's Cost Accounting: A Managerial Emphasis, 16th Edition; Pearson.
2. Ray H. Garrison, Eric W. Noreen & Peter C. Brewer (2018), Managerial Accounting, 16th Edition; McGraw-Hill Education.
3. Colin Drury (2018), Management and Cost Accounting, 10th Edition; CENGAGE.
4. Foundations in Accountancy FMA/ACCA F2 (2017), Management Accounting, Practice and Revision Kit, BPP Learning Media Ltd (ACCA Approved).
5. Foundations in Accountancy FMA/ACCA F2 (2017), Management Accounting, Interactive Text, BPP Learning Media Ltd (ACCA Approved).
6. Saunders, M., P. Lewis, A. Thornhill (2019) Research Methods for Business Students, London: Pearson.

# LECTURE ROUNDUP:

1. Financial accounting reports to external users on past financial performance using GAAP. Management accounting provides future-oriented information in formats that help managers (internal users) make decisions and achieve organizational goals.
2. Managers use a five-step decision-making process to implement strategy:
  - (1) identify the problem and uncertainties;
  - (2) obtain information;
  - (3) make predictions about the future;
  - (4) make decisions by choosing among alternatives;
  - (5) implement the decision, evaluate performance, and learn.
3. Three guidelines that help management accountants increase their value to managers are
  - (a) employ a cost-benefit approach,
  - (b) recognize behavioral as well as technical considerations,
  - (c) identify different costs for different purposes.
4. Management accountants have ethical responsibilities that relate to competence, confidentiality, integrity, and credibility.

# LECTURE ROUNDUP:

5. Data is the raw material for data processing. Data relates to facts, events and transactions and so forth. Information is data that has been processed in such a way as to be meaningful to the person who receives it. Information is anything that is communicated.

6. Good information should be relevant, complete, accurate and clear, it should inspire confidence, it should be appropriately communicated, its volume should be manageable, it should be timely and its cost should be less than the benefits it provides.

7. Information for management is likely to be used for planning, control and decision making. Information within an organisation can be analysed into the three levels assumed in Anthony's hierarchy strategic; tactical; and operational.

8. Data are often collected from a sample rather than from a population. A probability sampling method is a sampling method in which there is a known chance of each

member of the population appearing in the sample. Probability sampling methods:

–Random – Stratified random – Systematic – Multistage – Cluster

# LECTURE ROUNDUP:

9. A non-probability sampling method is a sampling method in which the chance of each member of the population appearing in the sample is not known; for example, quota sampling.

10. Once data have been collected they need to be presented and analysed. It is important to remember that if data have not been collected properly, no amount of careful presentation or analysis can remedy this defect.

11. According to IMA Statement of Ethical Professional Practice there are 4 Principles: Honesty, Fairness, Objectivity, Responsibility.

Thank you  
*very much*

