



MANAGEMENT ACCOUNTING

Students' notebook for ACCA exam - section 1

THE NATURE, SOURCE AND PURPOSE OF MANAGEMENT
INFORMATION

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Lesson 1 - Accounting for Management

a. Purpose and role of Management Accounting in an organization

Management Accounting is the process of _____ business costs and operations to prepare _____ financial report, records, and account to aid managers' decision-making process in achieving business goals.

The role of Management Accounting is to provide insights related to the _____ of the enterprise/business lines/products and the possible direction of them in the future.

Examples of reports produced by Management Accounting function:

- _____;
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

b. Management Accounting versus Financial Accounting

Financial accounting involves recording of _____ transactions and producing periodic _____ statements for external users.

Information	Financial Accounting	Management Accounting
Users		
Purpose		
Legal Requirements		
Templates/formats		
Nature		
Period		

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c. Mission statements

Mission statements underpin the planning process in any business. They define what an organization wants to achieve.

Good mission statements comprise 4 elements:

- _____: why and for whom the business exists?
- _____: what does the business provide and how?
- _____: how is the staff expected to behave?
- _____: what does the business believe in?

d. Planning, decision making and control

_____, _____ and _____ are key tasks of the management in all organizations.

Planning is the process which establishes _____ and formulates _____ to achieve them.

Good objectives are **SMART**:

- **S** _____: they state exactly what they aim to achieve;
- **M** _____: they can be measured so that completion can be reported;
- **A** _____: it is reasonable enough to be accomplished;
- **R** _____: it should be relevant for the people who received it and should be in line with the mission;
- **T** _____: it should be set against a deadline and intermediary progress could be measured;

Setting up SMART objectives should facilitate _____ throughout the organization (between lines of business, departments, etc).

Planning can be:

- _____;
- _____;
- _____.

Strategic Planning involves:

- a longer time horizon (usually _____ years);
- the (_____) organization.
- set up by (_____) management.

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Tactical planning involves:

- a medium time horizon (usually _____ years);
- breaking down the strategic plan into “smaller plans” for (_____) management to achieve;

Operational planning involves:

- a short time horizon (usually measured in _____);
- planning and deciding what are the next steps;
- all managers are involved in day to day decisions.

Decision making is the process of making an informed decision based on provided information.

Controlling involves comparing actual results to the planned ones.

The managerial process of planning, decision making and control can be summarized as below:



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e. Data versus Information

_____ is numbers, symbols, letters, raw facts, events and transactions which have not yet been processed for further use.

_____ is data which was processed to be useful for decision making.

Qualities of good information:

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- A _____ :
- C _____ :
- C _____ :
- U _____ :
- R _____ :
- A _____ :
- T _____ :
- E _____ :

f. Limitations of Management Information in providing guidance for decision-making

Different aspects of management information may lead to inappropriate decisions; therefore, care must be taken when considering such information for decision making:

- _____ with one/multiple of the attributes of good information;
- Considering _____ costs/revenue for decision making;
- Failure to incorporate _____ I information;
- Failure to consider _____ information.



now you may test your understanding with the quiz 😊

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Lesson 2 – Sources of data

a. Sources of information

Data can be classified into:

- _____ -
- _____ -

Information can be obtained from:

- _____ sources, such as:
- _____ sources, such as

b. Limitations of published information/data

Information source	Advantages	Disadvantages
Internal	(_____)	(_____)
	(_____)	(_____)
	(_____)	(_____)
External	(_____)	(_____)
	(_____)	(_____)
	(_____)	(_____)

Internet is widely used nowadays, as a source of information, however its benefits and limitations should be acknowledged:

- Benefits:

- Limitations:

c. Impact of general economic environment on revenues and costs

The general economic environment has an impact on all business via:

d. Big Data

Big data is extremely large _____ which due to its sheer size cannot be stored and processed via conventional methods.

Big data is usually characterized using the **3 V's**:

- _____ – refers to the huge amounts of data that each business holds;
- _____ – refers to the wealth of data hold by businesses
- _____ – refers to the speed of data changes and the need to process it quickly to influence decisions;

Big data analytics is the process of using software to _____, _____, _____ or other useful insights in large stores of data.

<https://www.newyorker.com/magazine/2019/10/14/can-a-machine-learn-to-write-for-the-new-yorker#>

e. Big Data Challenges

Whilst Big Data is a competitive advantage for any business, it poses some challenges, as well:

- _____ of skills to process big data;
- _____;
- _____ related to establishing software and hardware need for big data analytic;
- _____ implications



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Lesson 3 – Cost classification

a. Cost objects, cost units and cost centres

Cost object – an _____ for which costs are monitored/measured;

Cost unit – the _____ that costs are measured against;

Cost centre – a _____, _____, _____, _____ which incurs costs

b. Responsibility centres

Responsibility center – is a part of the business whose manager is responsible for its performance.

	Cost Centre	Profit Centre	Investment Revenue	Revenue Centre
Definition				
Example				
How is performance measured				
Information needed by its manager				

c. Material, Labour and Expense costs

Costs may be analysed based on the element classification, as follows:

- _____: all costs of materials used for production or non-production activities;
- _____: employees costs;
- _____: any other costs which are neither materials nor labour.

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d. Direct and Indirect Costs

Direct costs: costs that can be _____ identified with a product or service.

- Direct material cost :
- Direct labour costs:
- Direct expenses:

Direct materials + Direct Labour + Direct expenses = _____

Indirect costs: costs that cannot be directly identified with a product or service.

- Indirect material cost:
- Indirect labour costs:
- Indirect expenses costs:

Indirect Materials costs + Indirect Labour cost + Indirect Expenses costs = _____

e. Production and Non-production costs

_____ **costs** are those incurred when converting raw materials into semi-finished or finished products.

The different types of production costs are summarized below (examples for a ketchup bottle):

- Direct Materials:
- Direct Labour:
- Direct expenses:
- Variable Production Overheads:
- Fixed Production:

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_____ **ction costs:** are costs incurred outside the production process in a manufacturing organization

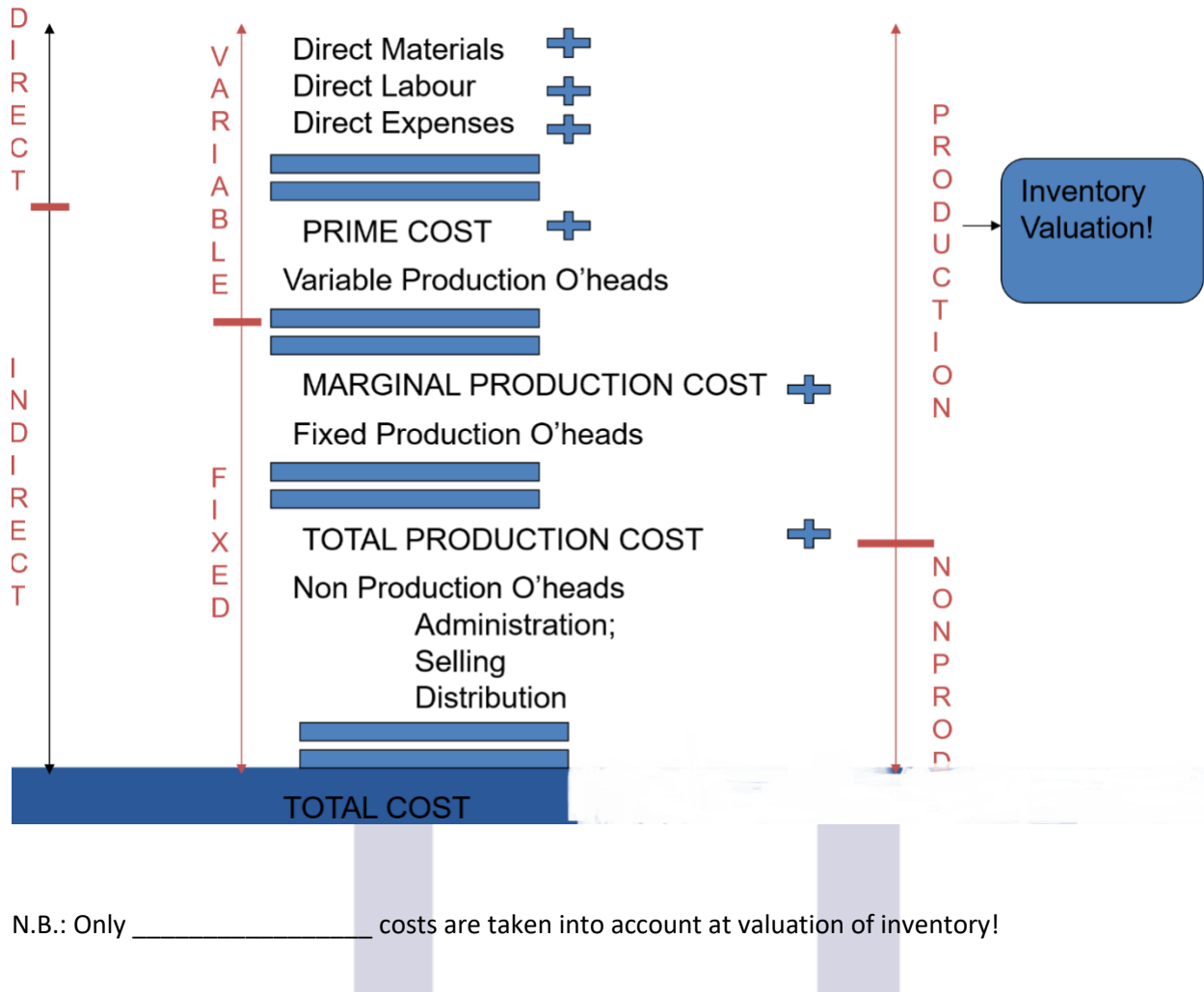
The types of non production costs are:

- Administrative costs:
- Selling costs:
- Distribution costs:
- Finance costs:

A _____ is a breakdown of the costs for a product or service.

It can be produced for a unit of production/service or for a planned level of production/service.

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f. Costs behaviour

Costs can be further classified based on how they behave in relation to changes to the level of activity, as such:

- _____ costs;
- _____ costs;
- _____ costs;
- _____ costs;



now you may test your understanding with the quiz 😊

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Lesson 4 – Presenting information

a. Reports

The main stages in writing a report are:

- 1. _____
- 2. _____
- 3. _____
- 4. _____

The structure of a report is:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____



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b. Tables

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c. Graphs

The type of graphs examinable in your exam are:

1. _____
2. _____
3. _____
4. _____



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