26.3.0 MANAGERIAL ACCOUNTING

26.3.1 Introduction

This module unit is intended to equip the trained with the necessary knowledge, skills and attitudes that will enable him/her analyze and interpret cost data for the purpose of decision making in an organisation

26.3.2 General Objectives

By the end of the module unit, the trainee should be able to:

- a) describe the methods used in estimating and forecasting costs
- b) explain the role of managerial accounting in decision making
- demonstrate the ability to carry out step-by-step process in solving decision making problems
- d) identify the role of performance evaluation in a supply business set-up
- e) describe the role of computers processing accounting information.

26.3.3 Module Unit Summary and Time Allocation

Code	Sub-Module Units	Content	Time (Hours)	
26.3.01 Nature and Scope of Managerial Accounting		 Definition of managerial accounting The role of managerial accounting in production, marketing and finance Differences between managerial accounting and financial accounting 	2	
26.3.02	Decision Tree	 Definition of decision tree The structure of decision trees Use of decision tree 	12	
26.3 03	Cost Estimation	 Definition of cost estimation Cost estimation methods 	18	
26 3 04	Cost-Volume-Profit Analysis (C-V-P)	 Definition of cost volume profit analysis Terms used in cost volume profit (C-V-P) Assumptions of C-V-P Limitations of C-V-P analysis Break Even Point (B-E-P) Calculation of break -even point 	10	

Code	Sub-Module Units	Content	Time (Hours)
26 3 05	Marginal Costing	 Definition of marginal costing Key factors in marginal costing Decision-making using marginal costing 	12
26.3.06	Capital Expenditure Decisions	 Nature of capital expenditure decision Non-discounting cash flow techniques Time value of money concept Discounting cash flow methods Benefits and limitations of each technique 	14
26.3.07	Transportation Techniques	 Nature of transportation techniques Requirements for application of transportation techniques Transportation techniques 	14
26.3.08	Assignment Techniques	 Nature of assignment techniques Requirements for application of assignment techniques Assignment techniques for minimizing and maximizing problems]4
26.3.09	Queuing Theory	 Definition of a queue Elements of a queue Terms used in queuing Theory Application of queuing Theory 	12
26.3.10	Performance Evaluation	 Definition of performance evaluation Need for performance evaluation Techniques for performance evaluation 	14
26.3.11	Budgeting and Budgetary Control	 Definition of budgeting and budgetary control Preparation of functional budgets Preparation of master budget]4
26.3.12	Emerging Trends and Issues in Managerial Accounting	 Emerging trends and issues Challenges posed by the emerging trends and issues Ways of coping with the challenges 	4
	Total		140

26.3.01	NATURE AND SCOPE OF MANAGERIAL ACCOUNTING	26.3.01T2	Role of managerial accounting in production. marketing and finance
	Theory	26.3.01T3	Difference between managerial
26.3.01T	Specific Objectives		accounting and
	By the end of the sub-module unit, the		financial accounting
	traince should be able to.		Practice
	a) define managerial accounting b) explain the role	26.3.01P	Specific Objective By the end of the sub-module unit, the trainee should be
	of managerial accounting in production.	om	able to distinguish between managerial accounting and
	marketing and finance	"Ast.Co	financial accounting
	c) explain the	The state of the s	Contem
	difference	26.3.01P1	Distinguishing
	between		between managerial
	managerial		accounting and
	accounting and financial		financial accounting
	accounting.		Suggested
			Teaching/Learning
263 OJC	Competence		Resources
	The trainee should		- Text books -
	have the ability to		- Professional
	distinguish between		magazines
	managerial		 Chalk/white boards
	accounting and		
	financial accounting		Suggested
			Teaching/Learning
	Content		Activities
26.3.01T1	Definition of		- Discussion
	managerial		- Note taking
	accounting		 Guest speaker

	Suggested Evaluation Methods - Assignments - Oral tests - Written reports	26.3.0213	Uses of decision trees - The expected monetary values - Decision making at various levels
26.3.02	DECISION TREE		Practice
26.3.02T	Theory Specific Objectives	26.3.02P	Specific Objectives By the end of the
20.7.021	By the end of the sub-module unit, the trainee should be able to:		sub-module unit, the trainee should be able to. a) draw a decision
	 a) define decision tree b) explain the structure of a decision tree 		b) calculate the expected monetary values (FMV)
	c) explain the uses of decision trees in decision making.	ner.co.	c) make decision using the decision tree
26.3.02C	Competence The trainee should	26.3.02P1	Drawing decision tree
	have the ability to draw and use a decision tree to make	26.3.02P2	Calculation of expected monetary value
	business decisions	26.3.02P3	Making decision making using the
26.3.02T1	Content Definition of decision trees		decision tree Suggested
26.3.02T2	Structure of a decision tree - Symbols used - The forward pass - The backward pass		Teaching/Learning Resources - Text books - Professional magazines - Chalk/white boards

	Suggested Teaching/Learning Activities - Discussion - Role playing - Question and answer - Note taking - Guest speaker	26.3 0312	Cost estimation methods - Engineering - Regression analysis - Accounts analysis - High-low - Learning curves
26.3.03	Suggested Evaluation Methods - Assignments - Oral tests COST ESTIMATION	26.3 03P	Specific Objective By the end of the sub-module unit, the trainee should be able to predict costs using the cost estimation methods
	Theory	262.020	Content
26 3.03T	Specific Objectives By the end of the sub-module unit, the trainee should be	26.3.03P1	Predicting costs using the cost estimation methods
	able to: a) define cost estimation b) explain the cost	3/6	Suggested Teaching Learning Resources - Text books
	estimation methods.		 Professional magazines Chalk/white boards
26.3 03C	Competence The trainee should have the ability to ascertain the current costs and predict future costs in business		Suggested Teaching/Learning Activities - Discussion - Question and answer - Note taking
26.3.03T1	Content Definition of cost estimation		Suggested Evaluation Methods - Assignments - Written reports

26.3.04	COST-VOLUME- PROFIT (C-V-P)	26.3.04T4	Limitations of C-V-P analysis
	ANALYSIS	26.3.0475	Break Even Point (BEP)
	Theory	26.3.04T6	Calculation of BEP
26.3.04丁	Specific Objectives By the end of the		Practice
	sub-module unit, the trainee should be able to: a) define the term cost volume profit (C-V-P) analysis b) explain the terms used in C-V-P c) explain the assumptions of C-V-P d) describe the limitations of C-V-P analysis e) explain the term	26.3.04F	Specific Objectives By the end of the sub-module unit, the trainee should be able to: a) calculate the contribution margin b) calculate the contribution to sales ratio c) determine the Break-even point in quantities and amounts
	Break Even Point (BEP) f) explain how to calculate Break Even Point.	26.3.04P1 26.3.04P2	Content Calculating the contribution margin Calculating the contribution to sales
26 3 04C	Competence The trainee should have the ability to use C-V-P analysis in business decision	26.3.04P3	ratio Determining the Break -even point (BEP) in quantities and currency
	making		Suggested Teaching/Learning
26.3.04T1	Content Definition of cost volume profit (C-V-		Resources - Text books - Professional
26.3.04T2	P) analysis Terms used in C-V-P		magazines - Chalk/white boards
26.3.04T3	analysis Assumption of C-V- P analysis		

	Suggested Teaching/Learning	26 3 0513	Decision making using marginal
	Activities		costing
	- Discussion		- Acceptance of
	 Question and 		special orders
	answer		- Dropping a product
	- Note taking		- Choice of product with a limiting
	Suggested		factor
	Evaluation Methods		- Make or buy
	- Assignments		*** **********************************
	- Oral tests		Practice
	- Terms papers		
		26.3.05P	Specific Objective
26.3.05	MARGINAL		By the end of the
	COSTING		sub-module unit, the
			trainee should be
	Theory		able to calculate the marginal costs
26.3.05T	Specific Objectives		
	By the end of the		Content
	sub-module unit. the	26 3 05P1	Calculating marginal
	trainee should be able to:	Ast.	costs
	a) define marginal		Suggested
	costing		Teaching/Learning
	b) explain the term		Resources
	"key factor"		Text books
	c) describe the		- Professional
	decisions made		magazines
	using marginal costing.		- Chalk/white boards
	-		Suggested
26.3.05C	Competence		Teaching/Learning
	The trainee should		Activities
	have the ability to		- Discussion
	calculate marginal		 Question and
	costing in business		answer
	decision making		- Note taking
	Content		Suggested
26.3.05T1	Definition of		Evaluation Methods
	marginal costing		 Written tests
26.3.05T2	Key factor in		- Oral tests
	marginal costing		
		CO	

26.3.06	CAPITAL EXPENDITURE DECISIONS	26.3.0672	Non-discounting techniques - Accounting Rate of Return
	Theory		Payback periodBenefits and
26 3.06T	Specific Objectives By the end of the		limitations of each technique
	sub-module unit, the trainee should be	26.3.06T3	Time value of money concept
	able to:	26.3.06T4	Discounted cash flow techniques
	a) explain the		- Net Profit Value
	nature of capital		- Profitability Index
	expenditure decisions		 Internal Rate of Return
	 describe the non- discounting cash flow techniques 		 Benefits and limitations of each technique
	c) explain the time value of money	COM	Practice
	d) describe the discounting cash flow techniques e) discuss the	26 3.06P	Specific Objectives By the end of the sub-module unit the trainee should be
	e) discuss the benefits and		able to:
	limitations of each technique		a) make a choice between projects using non-
26.3.06C	Competence		discounting cash
2.0.2.000	The trainee should		flow techniques
	have the ability to		b) discount cash
	apply discounting		flows
	and non-discounting		
	cash flow techniques		Content
	to make business	26.3.06P1	Choice of projects
	investment decisions		using non-discounted cash flow techniques
	Content	26.3.06P2	Discount cash flows
26.3.06T1	Nature of capital expenditure		
	decisions		

	Suggested Teaching/Learning Resources - Text books - Professional magazines - Chalk/white boards		transportation techniques for minimizing and maximizing problems.
	Suggested Teaching/Learning Activities - Discussion - Class presentation - Question and answer	26.3.07C	Competence The trainee should have the ability to apply transportation techniques in business decision making
	- Note taking	26.3.07T1	Content Nature of
	Suggested Evaluation Methods		transportation techniques
	AssignmentsOral tests	26.3.07T2	Requirements for application of
26.3.07	TRANSPORTATION	X.Co	transportation techniques
	TECHNIQUES	26.3.07T3	Transportation techniques
	Theory		- Minimizing technique
26.3.071	Specific Objectives By the end of the sub-module unit, the		- Maximizing technique
	trainee should be able to:		Practice
	a) explain the nature of transportation techniques b) describe the requirements for the application of transportation techniques	26.3.07P	Specific Objectives By the end of the sub-module unit, the trainee should be able to: a) identify a transportation problems b) set up initial transportation table

	c) solve transportation	26.3.08	ASSIGNMENT TECHNIQUES
	problems		Theory
26.3.07P1 26.3.07P2 26.3.07P3	Content Identifying transportation problems Setting up initial transportation table Solving transportation problems	26.3.08T	Specific Objectives By the end of the sub-module unit, the trainee should be able to: a) explain the nature of assignment
	Suggested Teaching/Learning Resources - Text books - Professional magazines - Chalk/white boards Suggested Teaching/Learning Activities - Discussion - Question and	vet.com	techniques b) describe the requirements for application of assignment techniques c) explain the application of assignment techniques for minimizing and maximizing problems.
	answer - Note taking - Guest speaker Suggested Evaluation Methods - Assignments - Examinations	26.3.08C	Competence The trainee should have the ability to apply assignment techniques in business decision making
		26.3.08T1 26.3.08T2	Content Nature of assignment techniques Requirements for application of assignment
			techniques

26 3 0813	Assignment techniques for minimizing and maximizing problems		Suggested Evaluation Methods - Assignments - Oral tests
	Practice	26.3.09	QUEUING THEORY
26.3.08P	Specific Objectives By the end of the		Theory
	sub-module unit, the trainee should be able to: a) identify assignment	26.3.091	Specific Objectives By the end of the sub-module unit, the tramee should be able to:
	problem b) set-up initial assignment table c) solve assignment problems		 a) define a queue b) describe the elements of a queue c) explain the terms
	Content	COLL	used in queuing Theory
26.3.08P1 26.3.08P2	Identification of assignment problems Setting-up initial	Act.	d) discuss the application of queuing Theory
	assignment tables	262,000	
26.3.08P3	Solving assignment problems	26.3.09C	Competence The trainee should have the ability to
	Suggested Teaching/Learning Resources - Text books - Professional		apply queuing techniques in business decision making
	magazines - Chalk/white boards	26.3.09T1 26.3.09T2	Content Definition of a queue Elements of queue
	Suggested Teaching/Learning Activities - Discussion - Note taking - Class discussion	26.3.09T3 26.3.09T4	Terms used in queuing Theory Application of queuing Theory

	Practice	26.3.10	PERFORMANCE EVALUATION
26 3.09P	Specific Objective By the end of the sub-module unit, the		Theory
	trainee should be able to calculate the variables in a queuing problem	26.3.10T	Specific Objectives By the end of the sub-module unit, the trainee should be
	queumg process		able to:
26.3.09P2	Content Calculating the variable in a queuing problem		a) define performance evaluationb) explain the need for performance
	Suggested		evaluation
	Teaching/Learning Resources - Text books		 c) explain the performance evaluation
	- Professional magazines	com	techniques.
	- Chalk/white boards	26.3.10C	Competence The trainee should
	Suggested Teaching/Learning Activities - Discussion - Question and		have the ability to evaluate the performance of each unit in an organisation
	answer - Note taking		Content
	- Note taking	26.3.1011	Definition of performance
	Suggested		evaluation
	Evaluation Methods - Class assignments - Oral tests	26.3.10T2	Need for performance evaluation
		26.3.10T3	Performance evaluation techniques - Responsibility accounting - Transfer pricing

	Practice	26.3.11	BUDGETING AND BUDGETARY
26 3 10P	Specific Objectives		CONTROL
	By the end of the		
	sub-module unit, the		Theory
	trainee should be		
	able to:	26.3.11T	Specific Objectives
	a) calculate		By the end of the
	different types of		sub-module unit, the
	profits		trainee should be
	b) use cost based		able to
	transfer prices in		 a) define the terms
	evaluation or		budgeting and
	performance		budgetary
			control
	Content		b) explain the
26 3.10P1	Calculating different		preparation of \
	types of profits		functional
26.3.10P2	Using cost-based		budgets
	transfer prices in	~	c) explain the
	performance	cO'	preparation of
	evaluation	X.	the master
		70,	budget
	Suggested	1	
	Teaching/Learning	26.3.11C	Competence
	Resources		The trainee should
	- Text books		have the ability to
	- Professional		prepare and monitor
	magazines		budgetary provisions
	- Chalk/white boards		in a business set up
	Suggested	2/2 1171	Content Definition of-
	Teaching/Learning	26.3.1171	
	Activities		budgeting and
	 Question and 	2/21172	budgetary control Preparation of
	answer	26.3.11T2	functional budgets
	- Demonstration		- Sales
	- Note taking		- Production
	Suggested	262 1172	- Purchasing
	Evaluation Methods	26.3.11T3	Preparation of
	- Assignments		master budget
	- Oral tests		

	Practice	26.3.12	EMERGING TRENDS AND
27.2.1171	c		ISSUES IN
26 3.11P	Specific Objectives		MANAGERIAL
	By the end of the		ACCOUNTING
	sub-module unit, the		ACCOUNTING
	trainee should be		TC)
	able to:		Theory
	a) prepare	0/0107	6 01
	functional	26.3 12T	Specific Objectives
	budgets		By the end of the
	b) prepare the		sub-module unit, the
	master budget		trainee should be
			able to:
	Content		a) identify
26.3 11P1	Preparing functional		emerging trends
20-17	budgets		and issues in
26.3.11P2	Preparing the master		managerial
20.0	budget		accounting
	00081		b) explain the
	Suggested		challenges posed
	Teaching/Learning		by the emerging
	Resources	6).	trends and issues
	- Text books		c) identify ways of
	- Professional		coping with the
	magazines		challenges posed
	- Chalk/white boards		by the emerging
	- Exercise books		trends and issues
	- Exercise tooks		
	Suggested	26.3.12C	Competence
	Teaching/Learning		The trainee should
	Activities		have the ability to
	- Discussion		cope with the
	- Demonstration		emerging issues and
	 Question and 		trends in managerial
	answer		accounting
	- Note taking		
			Content
	Suggested	26.3.12T1	Emerging trends and
	Evaluation Methods		issues in managerial
	- Written		accounting
	examination	26.3.12T2	Challenges posed by
			the emerging trends
			and issue in
			managerial
			accounting