

# Management Information (MA1) September 2018 to August 2019

This syllabus and study guide are designed to help with teaching and learning and is intended to provide detailed information on what could be assessed in any examination session.

## THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

### Relational diagram with other papers

This diagram shows direct and indirect links between this examination and other examinations which precede or follow it. Some examinations are directly underpinned by others. These links are shown as solid line arrows. The indirect links are shown as dotted line arrows. The relational diagram therefore indicates where learners are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

### Overall aim of the syllabus

This explains briefly the overall objective of the examination and indicates in the broadest sense the capabilities to be developed within the examination.

### Main capabilities

This syllabus's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

### Relational diagram of main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

### Syllabus rationale

This is a narrative explaining how the syllabus is

structured and how the main capabilities or sections of the syllabus are linked. The rationale also explains in further detail what the examination intends to assess and how.

### Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

### Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

### Study Guide

This is the main document that students and learning and content providers should use as the basis of their studies, instruction and materials respectively.

Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed within any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes indicate what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (\*see intellectual levels below).

### Learning Materials

ACCA's Approved Content Programme is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

For information about ACCA's Approved Content Providers, please go to ACCA's Content Provider Directory.

The Directory also lists materials by other publishers, these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials or for

variant exams where no approved content is available. You will also find details of Additional Reading suggested by the examining teams and this may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here –

<http://www.accaglobal.com/uk/en/student/accaglobal-qual-student-journey/study-revision/learning-providers/alp-content.html>

Relevant articles are also published in Student Accountant and available on the ACCA website

### LEVEL OF ASSESSMENTS – INTELLECTUAL DEMAND

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels through each qualification.

Throughout, the study guides assess both knowledge and skills. Therefore a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript<sup>k</sup> and the assessment of skills is denoted by the superscript<sup>s</sup>.

### VALUE OF ASSESSMENTS – GUIDED LEARNING HOURS AND EDUCATION RECOGNITION

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.

### GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Foundations examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. All Foundations examinations are assessed by two-hour paper based and computer based examinations.

The pass mark for all FIA examination papers is 50%.

### GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within any study guide within any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For specified financial accounting, audit and tax papers, except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For this examination regulation *issued* or legislation *passed* on or before 31<sup>st</sup> August annually, will be assessed from September 1<sup>st</sup> of the following year to August 31<sup>st</sup> of the year after. Please refer to the examinable documents for the paper (where relevant) for further information.

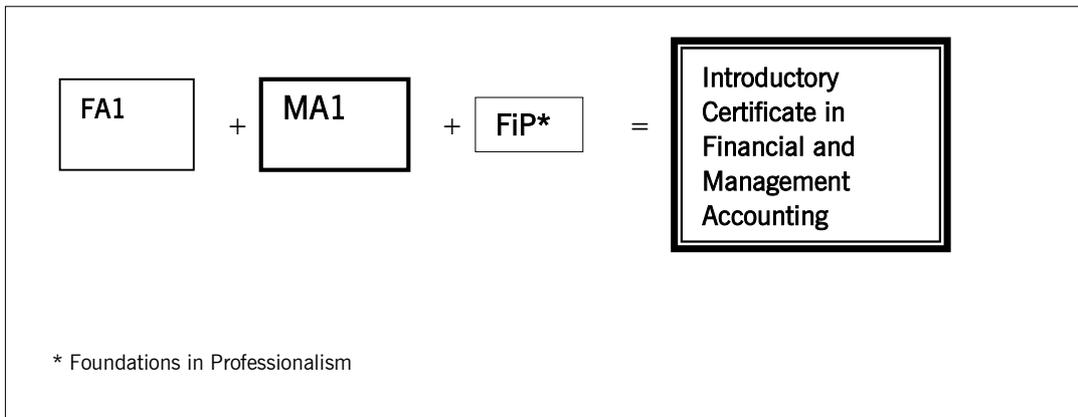
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the *effective* date is in the future. The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

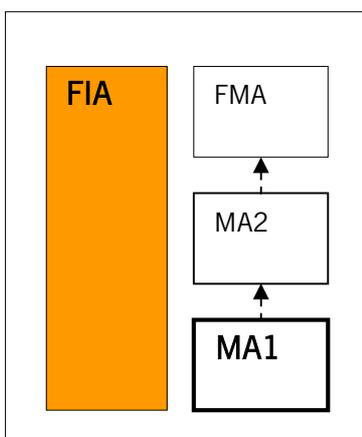
# Qualification structure

The qualification structure requires candidates who wish to be awarded the Introductory Certificate in Financial and Management Accounting to pass both the FA1 and MA1 examinations and successfully complete the Foundations in Professionalism module.



# Syllabus structure

The Foundations in Accountancy suite of qualifications is designed so that a student can progress through three discrete levels; Introductory, Intermediate and Advanced, However, entry is possible at any point. Students are recommended to enter Foundations in Accountancy at the level which is most appropriate to their needs and abilities and to take examinations in order, but this is not a requirement.



# Syllabus

## AIM

To develop knowledge and understanding of providing basic management information in an organisation to support management in planning and decision-making.

## RATIONALE

The syllabus for paper MA1, Management Information, introduces candidates to basic costing principles and techniques and the tools with which to use these principles and techniques. The syllabus starts by introducing business organisations and the specific role of management accountant within the organisation. The next section deals with cost classification followed by the identification of sources of information and coding, to ensure that cost information is properly classified. The syllabus then introduces basic techniques for recording costs.

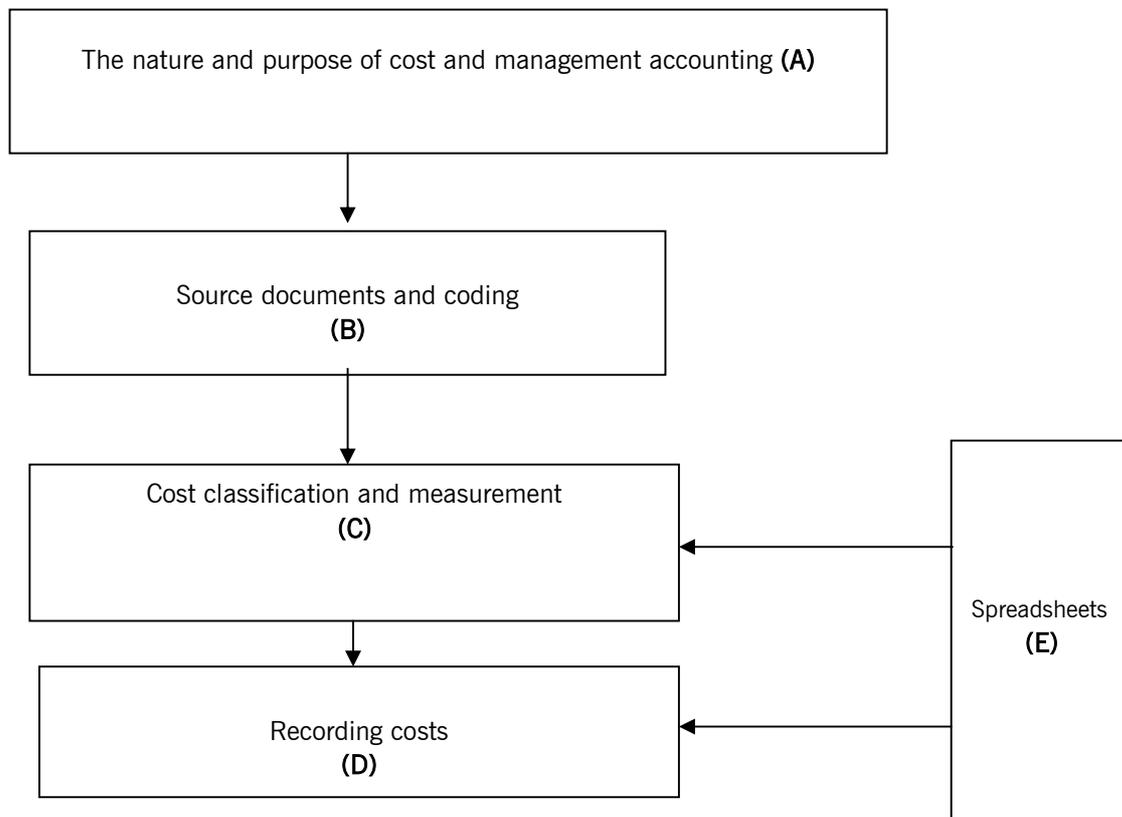
It finally introduces candidates to spreadsheets as an important tool in supporting cost and management accounting.

## MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:

- A** Explain the nature and purpose of cost and management accounting
- B** Identify source documents in a costing systems and correctly code data
- C** Classify costs by nature, behaviour and purpose
- D** Record costs for material, labour and expenses
- E** Use spreadsheets in Microsoft excel

### RELATIONAL DIAGRAM OF MAIN CAPABILITIES



## DETAILED SYLLABUS

### **A The nature and purpose of cost and management accounting**

1. Nature of business organisation and the accounting systems
2. Nature and purpose of management information

### **B Source documents and coding**

1. Sources of information
2. Coding system

### **C Cost classification and measurement**

1. Cost classification and behaviour
2. Cost units, cost centres, profit centres and investment centres

### **D Recording costs**

1. Accounting for materials
2. Accounting for labour
3. Accounting for other expenses
4. Accounting for product costs

### **E Spreadsheets**

1. Spreadsheets overview
2. Creating and using spreadsheets
3. Presenting and printing spreadsheet data/information

## APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour computer-based or paper based examination. Questions will assess all parts of the syllabus and will include both computational and non computational elements. The examination will consist of 50 two-mark questions.

# Study Guide

## A THE NATURE AND PURPOSE OF COST AND MANAGEMENT ACCOUNTING

### 1. Nature of business organisation and accounting systems

- a) Describe the organisation, and main functions, of an office as a centre for information and administration.<sup>[K]</sup>
- b) Describe the function and use of a manual of policies, procedures and best practices.<sup>[K]</sup>
- c) Identify the main types of transactions undertaken by a business and the key personnel involved in initiating, processing and completing transactions.<sup>[K]</sup>
- d) Explain the need for effective control over transactions.<sup>[K]</sup>
- e) Explain and illustrate the principles and practice of double-entry book-keeping.<sup>[S]</sup>
- f) Describe and illustrate the use of ledgers and prime entry records in both integrated and interlocking accounting systems.<sup>[S]</sup>
- g) Identify the key features, functions and benefits of a computerised accounting system.<sup>[K]</sup>

### 2. Management information

- a) State the purpose of management information.<sup>[K]</sup>
- b) Compare cost and management accounting with external financial reporting.<sup>[K]</sup>
- c) Distinguish between data and information.<sup>[K]</sup>
- d) Describe the features of useful management information.<sup>[K]</sup>
- e) Describe and identify sources and categories of information.<sup>[K]</sup>
- f) Explain the limitations of cost and management accounting information.<sup>[K]</sup>

- g) Describe the role of a trainee accountant in a cost and management accounting system. <sup>[K]</sup>

## B SOURCE DOCUMENTS AND CODING

### 1. Source documents

- a) Describe the material control cycle (including the concept and calculation of 'free' inventory, but excluding control levels and EOQ) and the documentation necessary to order, receive, store and issue materials.<sup>[K]</sup>
- b) Describe the procedures and documentation to ensure the correct authorisation, analysis and recording of direct and indirect material costs.<sup>[K]</sup>
- c) Describe the procedures and documentation to ensure the correct authorisation, coding, analysis and recording of direct and indirect labour and expenses.<sup>[K]</sup>
- d) Describe the procedures and documentation to ensure the correct analysis and recording of sales.<sup>[K]</sup>

### 2. Coding system

- a) Explain and illustrate the use of codes in categorising and processing transactions.<sup>[S]</sup>
- b) Explain and illustrate different methods of coding data. (including sequential, hierarchical, block, faceted and mnemonic).<sup>[K]</sup>
- c) Identify and correct errors in coding of revenue and expenses.<sup>[S]</sup>

## C COST CLASSIFICATION AND MEASUREMENT

### 1. Cost classification

- a) Define cost classification and describe the variety of cost classifications used for different purposes in a cost accounting system, including by responsibility, function, behaviour, direct/indirect.<sup>[S]</sup>
- b) Describe and illustrate the nature of variable, fixed and mixed (semi-variable, stepped-fixed) costs.<sup>[S]</sup>
- c) Describe and illustrate the classification of material and labour costs.<sup>[S]</sup>

- d) Prepare, and explain the nature and purpose of, profit statements in absorption and marginal costing formats.<sup>[S]</sup>
- e) Calculate the cost and profit of a product or service.<sup>[S]</sup>

## 2. Cost units, cost centres, profit centres and investment centres

- a) Explain and illustrate the concept of cost units.<sup>[K]</sup>
- b) Explain and illustrate the concept of cost centres.<sup>[K]</sup>
- c) Explain and illustrate the concept of profit centres.<sup>[K]</sup>
- d) Explain and illustrate the concept of investment centres.<sup>[K]</sup>
- e) Describe performance measures appropriate to cost, profit and investment centres (cost / profit per unit / % of sales; efficiency, capacity utilisation and production volume ratios; ROCE / RI, asset turnover).<sup>[S]</sup>
- f) Apply performance measures appropriate to cost, profit and investment centres.<sup>[S]</sup>

## D RECORDING COSTS

### 1. Accounting for materials

- a) Distinguish different types of material (raw material, work in progress and finished goods).<sup>[K]</sup>
- b) Describe and illustrate the accounting for material costs.<sup>[S]</sup>
- c) Calculate material requirements making allowance for sales and product/material inventory changes (control levels and EOQ are excluded).<sup>[S]</sup>
- d) Explain and illustrate different methods used to price materials issued from inventory (FIFO, LIFO and periodic and cumulative weighted average costs).<sup>[S]</sup>

### 2 Accounting for labour

- a) Describe and illustrate the accounting for labour costs (including overtime premiums and idle time).<sup>[S]</sup>
- b) Prepare an analysis of gross and net earnings.<sup>[S]</sup>
- c) Explain and illustrate labour remuneration methods.<sup>[S]</sup>
- d) Calculate the effect of changes in remuneration methods and changes in productivity on unit labour costs.<sup>[S]</sup>

### 3 Accounting for other expenses

- a) Explain the process of charging indirect costs to cost centres and cost units and illustrate the process of cost apportionment for indirect costs (excluding reciprocal service).<sup>[S]</sup>
- b) Explain and illustrate the process of cost absorption for indirect costs including the analysis and interpretation of over/under absorption.<sup>[S]</sup>

### 4 Accounting for product costs

- a) Job costing
  - (i) Describe the characteristics of job costing.<sup>[K]</sup>
  - (ii) Calculate unit costs using job costing.<sup>[S]</sup>
- b) Batch costing
  - (i) Describe the characteristics of batch costing.<sup>[K]</sup>
  - (ii) Calculate unit costs using batch costing.<sup>[S]</sup>
- c) Process costing
  - (i) Describe the characteristics of process costing.<sup>[K]</sup>
  - (ii) Calculate unit costs using process costing.<sup>[S]</sup> (note: split of losses into normal and abnormal is excluded)
  - (iii) Describe and illustrate the concept of equivalent units for closing work in progress.<sup>[S]</sup>
  - (iv) Calculate unit costs where there is closing work-in-progress.<sup>[S]</sup>
  - (v) Allocate process costs between finished output and work-in-progress.<sup>[S]</sup>
  - (vi) Prepare process accounts.<sup>[S]</sup>

## E SPREADSHEETS

### 1. Spreadsheets overview

- a) Explain the purposes of a spreadsheet <sup>[K]</sup>
- b) Describe the components of a blank spreadsheet screen <sup>[K]</sup>
- c) Describe methods to use/activate spreadsheet features <sup>[K]</sup>
- d) Describe methods of selecting ranges of cells <sup>[K]</sup>
- e) Explain the role of spreadsheets in management accounting <sup>[K]</sup>
- f) Describe the advantages and limitations of spreadsheets <sup>[K]</sup>

### 2. Creating and using spreadsheets

- a) Explain factors which influence spreadsheet design and the features of a well-structured worksheet/workbook. <sup>[K]</sup>
- b) Explain how to enter values, text and dates including automatically filling a range of cells and capturing data from another source. <sup>[K]</sup>
- c) Identify and use formulae incorporating common arithmetic operators, use of brackets, absolute/relative cell references and simple functions (Sum, Average, Round, IF) <sup>[S]</sup>
- d) Identify and use formulae in a workbook containing multiple worksheets and link cells from different workbooks <sup>[S]</sup>
- e) Describe how to move/copy and paste data and formulae <sup>[S]</sup>
- f) Describe, and select as appropriate, ways to edit data in a cell including the Find and Replace feature. <sup>[K]</sup>
- g) Explain the causes of common error messages and how errors are corrected. <sup>[K]</sup>
- h) Describe how to save, password protect and open spreadsheets. <sup>[S]</sup>

### 3. Presenting and printing spreadsheet data/information

- a) Describe and illustrate appropriate formatting features for the display of numbers, text, cell borders and patterns and for cell/worksheet protection. <sup>[S]</sup>
- b) Describe features which can be applied to rows or columns (changing height/width, inserting, deleting and hiding). <sup>[K]</sup>
- c) Describe features which affect the on-screen view and can be particularly useful when working with large worksheets/workbooks. <sup>[K]</sup>
- d) Use Sort and Filter to manipulate data. <sup>[K]</sup>
- e) Describe how charts (line, column, bar, pie, scatter, area) can be created from spreadsheet data and interpret the data shown. <sup>[S]</sup>
- f) Describe and illustrate the appropriate use of adding comments to a cell. <sup>[K]</sup>
- g) Describe how to select the output to be printed. <sup>[K]</sup>
- h) Select the combination of page layout/set-up options to achieve an effective, user-friendly printed output, especially for worksheets containing large amounts of data. <sup>[S]</sup>

## **SUMMARY OF CHANGES TO MA1**

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders including employers, students, regulatory and advisory bodies and learning providers. These syllabus changes are effective from September 2018 and the next update will be September 2019

There are no changes to the MA1 syllabus from September 2018