

Preface

Introduction

This book is written for the first and second levels of undergraduate degree study in accounting and business studies, or equivalent introductory accounting courses where an understanding of accounting is a basic requirement. It is based on the author's experience in providing a first level management accounting text and takes account of helpful suggestions from reviewers of three successive editions of that text. In particular, it has taken some of the newer costing techniques into mainstream discussion, reflecting their increasing acceptance in management accounting practice. Business strategy and competitive position are recurring themes. The second edition has incorporated a selection of professional examination questions, with commentary on solutions. Real world cases are updated to reflect current issues.

An accompanying website at www.pearsoned.co.uk/weetman provides the lecturer with a complete resource pack for each chapter comprising: student handouts containing a skeleton outline of each chapter, leaving slots for students to complete; overhead-projector masters that match the lecture handouts, suggested discussion answers to real-world cases, solutions to text book questions in addition to those given at the end of the book, additional multiple-choice questions and further graded questions in application of knowledge and in problem solving.

End-of-chapter questions are graded according to the skills being assessed. There are tests of understanding, tests of application of knowledge in straightforward situations and tests of problem solving and evaluation using the acquired knowledge in less familiar situations.

Overall the aim of this text book is to provide a knowledge and understanding of management accounting which establishes competence in the key areas while engaging the interest of students and encouraging a desire for further specialist study. It also contributes to developing the generic skills of application, problem solving, evaluation and communication, all emphasised as essential attributes by potential employers.

Subject coverage

Managers have access to a wealth of detailed financial information and have a responsibility for the careful management of the assets and operations of the organisation. The way in which the managers of an organisation use financial information is very much contingent on the purpose for which the information is intended. Management accounting is a specialist area of study within accounting more generally. Ideally, management accounting and financial accounting would coalesce if the external users could be given access to all internal information, but that might damage the competitive position of the business and would probably swamp the external users in detail.

The text book chapters indicate two levels of study, corresponding to the first and second years of degree courses in accounting. First-level degree courses in accounting are increasingly addressed to a broad base of potential interest and this book seeks to provide such a broad base of understanding in chapters 1 to 4, 9, 11, 13 and 16. Second-level degree courses reinforce the ability to apply management accounting techniques in situations of decision making, control and problem solving. This book provides those features in chapters 5 to 8, 10, 12, 14, 15, 17, 18 and 19.

Aim of the book

The book aims to establish a firm understanding of the basic techniques, while recognising the growth of more recent developments in management accounting. A contingency approach is adopted which emphasises that the selection of management accounting techniques is conditional on management's purpose. To meet this purpose, the management accountant performs the roles of directing attention, keeping the score and solving problems. Strategic management accounting is emphasised from the outset so that students are aware that management accounting must take an outward-looking approach. These themes are reiterated throughout, concluding with an explanation of the role of management accounting in business strategy, including e-business in the new economy. A student who has completed this study of management accounting at first and second levels will be aware of many of the day-to-day practices of management accounting in business and the relevance of those practices.

In particular

- *Concepts* of management accounting are presented in Chapters 1 to 4 and applied consistently thereafter.
- *User needs* are discussed by including first-person commentary from a professional consultant who gives insight into the type of interpretative comment which students of management accounting often find difficult.
- *Real world cases* ask questions based on extract from newspapers, annual reports and promotional material. They provide practical illustration through specific examples in each chapter and in the case studies discussed by the consultant. Reinforcement is provided by end-of-chapter cases which encourage discussion of scenarios.
- *Interpretation* is a feature of all the management accounting chapters where the use of first-person commentary by the consultant allows more candid discussion than would be appropriate in the usual dispassionate style of the academic text.
- *What the researchers have found* is a section running through the chapters explaining a selection of academic papers and other resource sources that are helpful in understanding how management accounting is developing in practice. Each paper is summarised to show why it may be of interest. The wide range of source journals used shows that management accounting techniques are of interest in many different forms of business and public-benefit organisation.
- *Future developments* – an emphasis throughout on strategic management accounting, with its focus on benchmarking against competitors, culminates in a final chapter on business strategy and its application in e-business and e-commerce. Lean accounting, target costing, value chain analysis and total quality management are described and illustrated. Activity-based costing is dealt with as part of the normal approach to overhead costing; benchmarking and the balanced scorecard are described in the performance measurement chapter, and the impact of advanced manufacturing technologies is assessed in the investment appraisal chapters.
- *Self-evaluation* is encouraged throughout each chapter. Activity questions are placed at various stages of the chapter, while self-testing questions at the end of the chapter may be answered by referring again to the text. Further end-of-chapter questions provide a range of practical applications. Answers are available to all computational questions, either at the end of the book or on the website. Group activities are suggested at the end of each chapter with the particular aim of encouraging participation and interaction.

Flexible course design

There was once a time when the academic year comprised three terms and we all knew the length of a typical course unit over those three terms. Now there are semesters,

trimesters, modules and half-modules so that planning a course of study becomes an exercise in critical path analysis. This text is written for two 12-teaching-week semesters but may need selective guidance to students for modules of lesser duration.

The chapters are designated 'level one' and 'level two' to indicate a structure for using the book with first and second year students. The level one chapters provide a broader overview of the subject area, with greater depth provided in the level two chapters. The book could be useful where a course contains a broadly based first year class with an option for second year study by those members of the class intending greater specialisation.

The plan of the book also recognises the wide variety of course design. Some lecturers prefer to focus on decision making in depth while others prefer a broad coverage of decision making and control. Some management accounting courses include investment appraisal and capital budgeting while others leave this to a finance course. The arrangement of the chapters allows flexibility in content and sequence of the course programme.

In teaching and learning management accounting, various combinations are possible, depending on course design and aims. Chapters 1 to 4 provide an essential set of basic tools of analysis but thereafter some flexibility is feasible. For a focus on product costing, Chapters 5 to 8 provide a range of material. For concentrating on decision making, short term and longer term, Chapters 9 and 11 are recommended at level one, followed by Chapters 10 and 12 at level two. For concentrating on planning and control, Chapters 13 and 16 give students a first level understanding, with Chapters 14, 15 and 17 providing more detail on the variety of techniques in use. The final section on financial management and strategic planning shows in Chapter 18 how the management accountant can support financial management of working capital, while Chapter 19 reviews some of the many developing techniques available for integrating management accounting with broader management initiatives.

Approaches to teaching and learning

Learning outcomes

Learning outcomes are measurable achievements for students, stated at the start of each chapter. The achievement of some learning outcomes may be confirmed by Activities set out at the appropriate stage within the chapter. Others may be confirmed by end-of-chapter questions.

End-of-chapter questions are graded and each is matched to one or more learning outcomes. The grades of question are:

Test your understanding (Series A questions)

The answers to these questions can be found in the material contained in the chapter.

Application (Series B questions)

These are questions that apply the knowledge gained from reading and practising the material of the chapter. They resemble closely in style and content the technical material of the chapter. Confidence is gained in applying knowledge in a situation that is very similar to that illustrated. Answers are given at the end of the book or in the Resources for Tutors available on the companion website.

Problem solving and evaluation (Series C questions)

These are questions that apply the knowledge gained from reading the chapter, but the style of each question is different. Problem-solving skills are required in selecting relevant data or in using knowledge to work out what further effort is needed to solve the problem. Evaluation means giving an opinion or explanation of the results of the

Plan of the book

Part 1 DEFINING, REPORTING AND MANAGING COSTS				
LEVEL 1	Chapter 1 What is management accounting?	Chapter 2 Classification of costs	Chapter 3 Materials and labour costs	Chapter 4 Overhead costs
LEVEL 2	Chapter 5 Absorption costing and marginal costing	Chapter 6 Job costing	Chapter 7 Recording transactions in a job costing system	Chapter 8 Process costing
Part 2 DECISION MAKING				
LEVEL 1	Chapter 9 Short-term decision making		Chapter 11 Capital investment appraisal	
LEVEL 2	Chapter 10 Relevant costs, pricing and decisions under uncertainty		Chapter 12 Capital budgeting applications	
Part 3 PERFORMANCE MEASUREMENT AND CONTROL				
LEVEL 1	Chapter 13 Preparing a budget		Chapter 16 Performance evaluation and feedback reporting	
LEVEL 2	Chapter 14 Control through budgeting	Chapter 15 Standard costs	Chapter 17 Divisional performance	
Part 4 FINANCIAL MANAGEMENT AND STRATEGIC PLANNING				
LEVEL 2	Chapter 18 Financial management: working capital		Chapter 19 Business strategy and management accounting	

problem-solving exercise. Some answers are given at the end of the book but others are in the Resources for Tutors available on the website for use in tutorial preparation or class work.

Website

A website is available at www.pearsoned.co.uk/weetman by password access to lecturers adopting this textbook. The Resources for Tutors contain additional problem questions for each chapter, with full solutions to these additional questions as well as any solutions not provided in the textbook. The website includes basic tutorial

guidance, student notes and overhead-projector or powerpoint displays to support each chapter.

Target readership

This book is targeted at programmes which have first and second level management accounting classes where there is a benefit from having one text book to cover the two levels of study. The split of level one and level two chapters is suitable for a broad-ranging business studies type of first-level degree course followed by a more specific second level degree class. The book has been written with undergraduate students particularly in mind, but may also be suitable for professional and postgraduate business courses where management accounting is taught at first and second levels.

Support material for lecturers

As institutions come under increasing scrutiny for the quality of the teaching and learning experience offered, a textbook must do more than present the knowledge and skills of the chosen subject. It must make explicit to the students what targets are to be achieved and it must help them to assess realistically their own achievements of those targets. It must help the class lecturer prepare, deliver, explain and assess the knowledge and skills expected for the relevant level of study.

The Resources for Tutors provide a table of learning outcomes (knowledge and skills) tested by each question. The general skills tested are application of techniques, problem solving and evaluation and communication. This will be helpful for lecturers who seek to demonstrate how their teaching and assessment matches external subject benchmark statements and learning and skills frameworks.

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