

ADVANCED MANAGEMENT ACCOUNTING

CONTENTS

CHAPTER 1 – DEVELOPMENTS IN THE BUSINESS ENVIRONMENT

1.1	The impact of changing environment on cost and management accounting	1.1
1.2	Total Quality Management	1.3
1.3	Activity Based Cost Management.....	1.30
1.4	Target Costing	1.53
1.5	Life Cycle Costing	1.70
1.6	Value Chain Analysis	1.74
1.7	Cost control and cost reduction	1.100
1.8	Computer-aided manufacturing	1.104
1.9	Just in time	1.105
1.10	Manufacturing resources planning (MRP I & II).....	1.115
1.11	Synchronous manufacturing.....	1.119
1.12	Business Process Re-engineering.....	1.119
1.13	Throughput accounting	1.120
1.14	Shut down & divestment.....	1.126

CHAPTER 2 – COST CONCEPTS IN DECISION MAKING

2.1	Introduction	2.1
2.2	Application of incremental/differential cost techniques in managerial decisions.....	2.40

CHAPTER 3 – CVP ANALYSIS & DECISION MAKING

3.1	Introduction.....	3.1
3.2	Important factors in marginal costing decisions	3.3
3.3	Pricing decisions under special circumstances	3.4
3.4	Make or buy decision	3.14
3.5	Shut down or continue decision.....	3.26

3.6	Export V/s local sale decision.....	3.32
3.7	Expand or contract decision	3.35
3.8	Product mix decision.....	3.37
3.9	Price-mix decision.....	3.53

CHAPTER 4: PRICING DECISIONS

4.1	Introduction.....	4.1
4.2	Theory of price.....	4.1
4.3	Pricing policy	4.3
4.4	Pricing of finished product.....	4.5
4.5	New product pricing	4.6
4.6	Pricing of finished product.....	4.7
4.7	Pricing strategies	4.8
4.8	Pareto analysis	4.22

CHAPTER 5 – BUDGET & BUDGETARY CONTROL

5.1	Introduction.....	5.1
5.2	Strategic Planning, Budgetary Planning and Operational Planning	5.1
5.3	The preparation of budgets	5.2
5.4	The interrelationship of budgets	5.12
5.5	Using spreadsheets in budget preparation	5.12
5.6	Preparation of fixed and flexible budgets.....	5.12
5.7	Zero Base Budgeting	5.37
5.8	Performance Budgeting (PB).....	5.40
5.9	Budget Ratio.....	5.43
5.10	Budget Variance	5.45

CHAPTER 6 – STANDARD COSTING

6.1	Introduction.....	6.1
6.2	Definitions.....	6.2
6.3	Computation of variances.....	6.5

6.4	Reporting of variances	6.47
6.5	Accounting procedure for standard cost	6.61
6.6	Behavioural aspects of Standard Costing	6.70

CHAPTER 7 – COSTING OF SERVICE SECTOR

7.1	Introduction	7.1
7.2	Main characteristics of service sector.....	7.1
7.3	Collection of costing data in service sector.....	7.2
7.4	Costing methods used in service sector	7.3
7.5	Pricing by service sector	7.7

CHAPTER 8 – TRANSFER PRICING

8.1	Introduction.....	8.1
8.2	Objectives of transfer pricing system.....	8.1
8.3	Methods of transfer pricing.....	8.1
8.4	Conflict between a division and the company	8.27
8.5	Multinational transfer pricing	8.28

CHAPTER 9: UNIFORM COSTING AND INTER FIRM COMPARISON

9.1	Uniform costing.....	9.1
9.2	Inter-firm comparison	9.3

CHAPTER 10 – COST SHEET, PROFITABILITY ANALYSIS AND REPORTING

10.1	Introduction.....	10.1
10.2	Cost Sheets (Contentious issues)	10.1
10.3	Profitability statements	10.4
10.4	The Balanced Scorecard	10.10

CHAPTER 11 – LINEAR PROGRAMMING

11.1	Introduction.....	11.1
11.2	Graphical Method	11.3
11.3	Trial & Error method of solving Linear Programming Problem.....	11.17
11.4	The simplex method.....	11.20
11.5	Simplex method for minimization problems.....	11.27

11.6	Marginal value of a resource	11.32
11.7	Some remarks	11.33
11.8	Practical applications of linear programming	11.40
11.9	Limitations of linear programming	11.61

CHAPTER 12 – THE TRANSPORTATION PROBLEM

12.1	Introduction.....	12.1
12.2	Methods of finding initial solution to transportation problems	12.3
12.3	Optimality test.....	12.8
12.4	Special cases	12.15
12.5	Maximisation transportation problems	12.19
12.6	Prohibited routes.....	12.22
12.7	Miscellaneous illustrations	12.25

CHAPTER 13 – THE ASSIGNMENT PROBLEM

13.1	Introduction.....	13.1
13.2	The Assignment algorithm.....	13.1
13.3	Unbalanced assignment problems.....	13.7

CHAPTER 14 – CRITICAL PATH ANALYSIS

14.1	Introduction.....	14.1
14.2	General framework of PERT/CPM	14.2
14.3	Advantages of critical path analysis.....	14.2
14.4	Fundamentals of a CPA network	14.3
14.5	Critical path analysis.....	14.19

CHAPTER 15 – PROGRAM EVALUATION AND REVIEW TECHNIQUE

15.1	Introduction.....	15.1
15.2	Probability of achieving completion date.....	15.2
15.3	A few comments on assumptions of PERT & CPM	15.11
15.4	Distinction between PERT & CPM	15.12

15.5	Updating the network	15.12
15.6	Project crashing	15.14
15.7	Resource smoothing	15.25
15.8	Resource levelling	15.29
15.9	Miscellaneous illustrations	15.29

CHAPTER 16 – SIMULATION

16.1	Introduction.....	16.1
16.2	What is simulation?.....	16.1
16.3	Monte Carlo simulation	16.2
16.4	Simulation and inventory control	16.14
16.5	Miscellaneous illustrations	16.17
16.6	Random numbers table.....	16.25

CHAPTER 17 – LEARNING CURVE THEORY

17.1	Introduction.....	17.1
17.2	Distinctive features of learning curve theory in manufacturing environment.....	17.2
17.3	The learning curve ratio	17.2
17.4	Learning curve equation.....	17.3
17.5	Learning curve application	17.4
17.6	Limitations of learning curve theory	17.6

CHAPTER 18 – TESTING OF HYPOTHESIS

18.1	Introduction.....	18.1
18.2	Concept of hypothesis.....	18.1
18.3	Tails of a test	18.2
18.4	Procedure in Hypothesis testing.....	18.3
18.5	Hypothesis testing for population mean.....	18.4
18.6	Hypothesis test concerning proportion.....	18.7
18.7	Test for equality of two means (Large samples) ($n_1+n_2 \geq 30$).....	18.11
18.8	Test for equality of proportion.....	18.15

18.9	Chi Square Distribution (χ^2 distribution)	18.16
18.10	Tests of hypothesis about the variance of two populations	18.21
18.11	Analysis of Variance-A test for homogeneity of Mean	18.23
18.12	Analysis of variance in manifold classification	18.27

CHAPTER 19 – TIME SERIES ANALYSIS & FORECASTING

19.1	Introduction.....	19.1
19.2	Importance of time series analysis	19.1
19.3	Components of a time series.....	19.2
19.4	Smoothing methods in time series.....	19.18
19.5	Existence of trend	19.23
19.6	Forecasting using time series.....	19.25