

A 14907 - Strategic Management Accounting (2018-2019)

Session 12

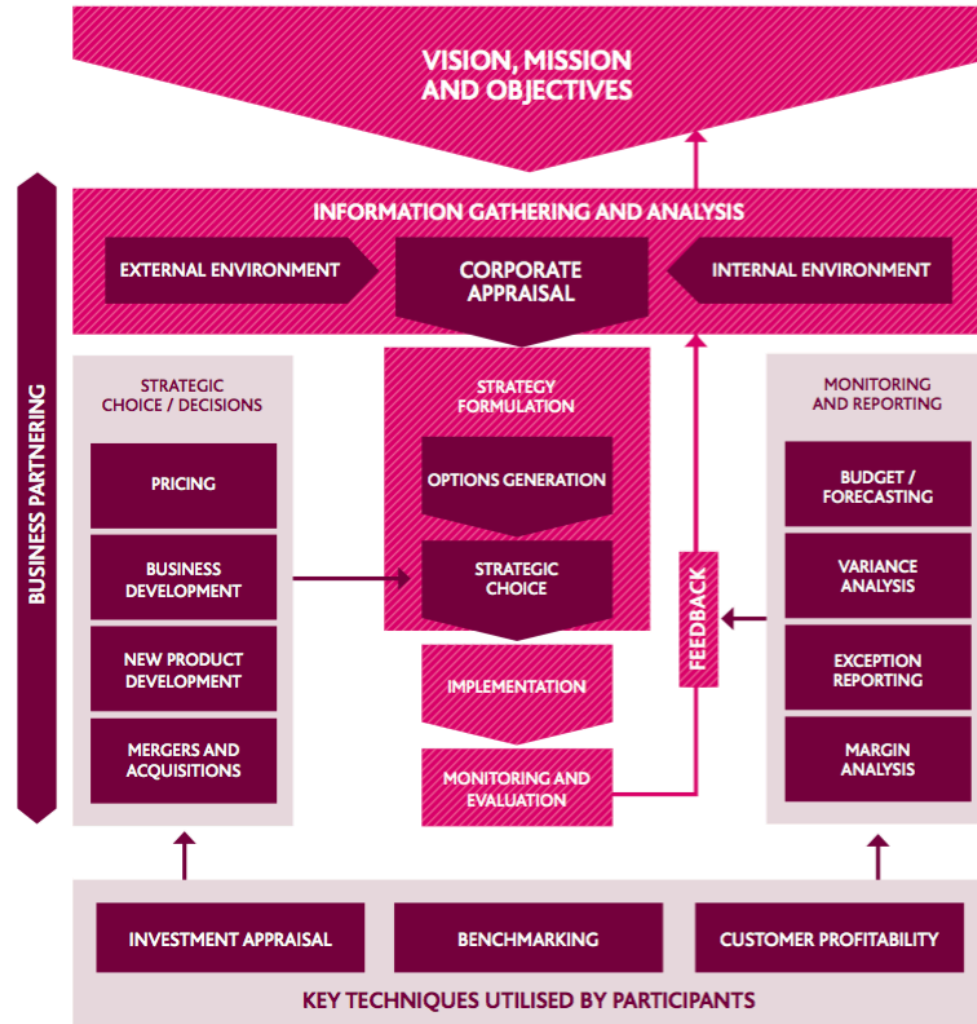
Strategic Management Accounting –
Review Session

OVERALL OBJECTIVES

Course Objectives

Students will learn to use a range of tools for costing, decision making, planning and controlling and consider their applicability within the context of Strategic Management. They will also be able to read and understand a financial statement prepared according to International accounting Standards

Key Techniques used in Practice



SESSION 7 STRATEGIC MANAGEMENT ACCOUNTING

Objectives of Session 7

*At the end of this session students will understand the **differences** between:*

- *Strategic Planning,*
- *Business Planning and;*
- *Budgeting*

*And the areas in which **Management Accounting** can provide support for each of these and in particular the role of **budgets** in the **Business Planning Process** and the different approach to budgeting*

Session 7 Summary

- Introductions and course objectives
- Strategic Planning: Purpose, vision, mission, goals, objectives
- Business Planning: Business Plans
- Budgeting: Budget process, flexible budgeting, zero-based, activity based
- The role of Management Accounting in supporting:
 - Strategic choices/decisions
 - Monitoring and reporting

Session 7 Validation

- What do we mean by strategic planning?
- What is the difference between Statements of Purpose, Vision and Mission?
- What are the differences between Strategic Plans, Business Plans and Budgets?
- What is a SWOT analysis?
- Describe the budget setting process
- How does Management Accounting support the Strategic Management Process?

SESSION 8 BUDGETS AND PERFORMANCE MANAGEMENT

Objectives of Session 8

At the end of this session students will be able to:

- *Interpret a **variance report** and assess its implications for management intervention*
- *Identify **behavioural** aspects of budget management*
- *Recommend **strategies** to prevent or remedy adverse behavioural aspects of budget management and harness positive aspects*
- *Evaluate **alternate views** of performance management.*

Session 8 Overview

- Standard costing and variance analysis.
- Profit-related performance measures.
- Performance measurement in not-for-profit organizations.
- Behavioural aspects of performance management: gaming; achievement motive; creative accounting.
- Alternative views on performance management: activity-based costing; balanced scorecards; just-in-time; and total quality management.

Session 8 Validation

- What are the two main types of costing system?
- What is standard costing?
- What types of variances can we analyse?
- What is the key principle of performance measurement?
- What different types of responsibility centres are there?
- How can we measure Investment Centres?
- What is a Balanced Scorecard?
- What behavioural issues arise with respect to budgetary control?

SESSION 9 PRICING DECISIONS

Session 9 Objectives

- At the end of this session, students will be able to:
 - Recommend appropriate costing methods for pricing.
 - Assess the potential impact of different competitive environments on pricing.
 - Identify appropriate pricing strategies to fit different markets and products/services.

Session 9 overview

- Costing and pricing – different approaches to costing.
- Consumer behaviour and pricing.
- Competitor behaviour and pricing.
- Pricing new products or services.
- Product life cycle and pricing.
- Special pricing strategies.

Validation Session 9

- What different costing systems are used in pricing and what are the advantages/disadvantages of these ?
- How is pricing affected by the economic context? (Type of market/Elasticity of demand)
- What is the role of pricing in the marketing mix and what different pricing strategies do companies use?

SESSION 10 INVESTMENT DECISIONS

Session 10 Objectives

- After studying this topic, the students will be able to:
 - Assess the financial impact of an investment using traditional techniques.
 - Evaluate the strengths and weaknesses of the above techniques.
 - Demonstrate an awareness of alternative techniques.
 - Explain the role of financial assessment within the wider strategic assessment of investment decisions.

Overview Session 10

- Traditional investment appraisal techniques.
- The strengths and weaknesses of individual appraisal techniques.
- The use and abuse of investment appraisal techniques.
- Financial analysis within the overall context of investment planning.
- Non-financial factors in investment appraisal.
- Alternative strategic approaches to investment appraisal.

Session 10 Validation

- What are the main elements of a Capital Budgeting System?
- What are the three main traditional investment evaluation techniques?
- What are the advantages and disadvantages of these?
- What real world complexities need to be taken into account in performing these calculations?
- What is the appropriate discount rate to use in DCF calculations?
- How is the WACC determined?
- What are the relevant cash flows that need to be considered in investment decisions?
- What do we mean by opportunity cost?
- In what ways can we deal with the risk associated with investment decisions?

SESSION 11 OPERATIONAL DECISIONS

Session 11 Objectives

- At the end of this session, students will be able to:
 - Assess the financial consequences of a range of decision-making situations.
 - Define the scope and limitations of the financial techniques applied.

Overview Session 11

- Setting sales targets
- Predicting the impact of price changes
- Outsourcing vs in-house operation/production
- Operational restructuring/automation of business processes
- Closing a business segment
- Dropping a product/service line

Session 11 Validation

- What is a Cost-Volume-Profit (CVP) Analysis?
- What is it useful for?
- What are some of CVP analysis's drawbacks?
- What are the relevant costs to consider in decisions making?
- What do we mean by opportunity cost?
- What issues arise from outsourcing or off-shoring?