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Strategy to Qualify and Excel in Final Course Paper 5: Advanced Management Accounting Background Material

(One paper – Three hours – 100 marks)

Level of Knowledge: Advanced knowledge

Objective

a) To apply various management accounting techniques to all types of organizations for planning, decision making and control purposes in practical situations.
b) To develop ability to apply quantitative techniques to business problems

AMA - Major Components

1. Cost Management

Developments in the business environment; just in time; manufacturing resources planning; (MRP); automated manufacturing; synchronous manufacturing and back flush systems to reflect the importance of accurate bills of material and routings; world class manufacturing; total quality management.

a) Activity based approaches to management and cost analysis
b) Analysis of common costs in manufacturing and service industry
c) Techniques for profit improvement, cost reduction, and value analysis
d) Throughput accounting
e) Target costing; cost ascertainment and pricing of products and services
f) Life cycle costing
g) Shut down and divestment.

2. Cost Volume Profit Analysis

a) Relevant cost
b) Product sales pricing and mix
c) Limiting factors
d) Multiple scarce resource problems
e) Decisions about alternatives such as make or buy, selection of products, etc.

3. Pricing Decisions

a) Pricing of a finished product
b) Theory of price
c) Pricing policy
d) Principles of product pricing
e) New product pricing
f) Pricing strategies
g) Pricing of services
h) Pareto analysis

4. Budgets and Budgetary Control

The budget manual, Preparation and monitoring procedures, Budget variances, Flexible budgets, reparation of functional budget for operating and non-operating functions, Cash budgets, Capital expenditure budget, Master budget, Principal budget factors.

5. Standard Costing and Variance Analysis.

Types of standards and sources of standard cost information; evolution of standards, continuous - improvement; keeping standards meaningful and relevant; variance analysis; disposal of variances.

a) Investigation and interpretation of variances and their inter relationship
b) Behavioral considerations.

6. Transfer pricing

a) Objectives of transfer pricing
b) Methods of transfer pricing
c) Conflict between a division and a company
d) Multi-national transfer pricing.

7. Cost Management in Service Sector

8. Uniform Costing and Inter firm comparison

9. Profitability analysis - Product wise / segment wise / customer wise

10. Financial Decision Modeling:

a) Linear Programming
b) Network analysis-PERT/CPM, resource allocation & resource leveling
c) Transportation problems
d) Assignment problems
e) Simulation
f) Learning Curve Theory

Basic Strategy of Success in Examination

1. Maintain separate copies (Rule sheet).
2. All pages should be numbered. Mention the corresponding copy and page no. at the side of each problem. This is very important for cross reference and it helps to reduce your revision time, mainly before the examination. Maintain content in each copy.
3. Our main objective in the examination is to score 65%+, because at the end of the day everyone will ask 'how much u score', not how much u answer. So, our simple strategy is to answer 80+ with good quality, so that the score is automatically 65+. Many students score 72, 73 by answering 80 or 85 out of 100 marks paper.
4. Generally maximum theory to answer is 20 marks or min 14 marks. So , plan ur exam according to ur strength in theory & problem.

As we write only 80 or 85 marks in 3 hours, automatically we get the following advantage:

a. Available time to answer per question will increase.
b. Reduces no. of mistakes, which a student normally does so as to attempt of 100 marks within the same time.
c. Increase quality of answer.
d. Help to avoid the hardest question in the paper.

So, a score of 70 marks by answering 80 is a better proposition rather than to score 45 by answering 100 marks.

Pre-conditions of quality answers are:

1) Proper heading for each statement & working note.
2) Write units and notation with every calculation, particularly ₹ and ₹ per unit etc.
3) Supporting computation with each cost calculation.
4) Answer the theory question by simple sentences.
5) Always starts the answer with the definition of the subject. Don't start the answer like " It is a very important concept in cost accounting." It is important that is why it is given in examination. Such answer creates bad impression to the student.
6) Always starts a new question's answer in a fresh page, preferably at the left hand side page of the answer copy.
7) Do not use any color in ur answer to underline or highlighting.
8) Mention proper question no. at the top of the page as "Answer to Question no. ……".
9) A good hand writing is a must for a "quality answer".
10) Use pencil in exam to prepare graph & charts.

How to start an unknown problems, How?

Step 1: First read the theory to check the main principle.
Step 2: Carefully Read the problem. Don't touch calculator during that reading. Try to clear the meaning of the problem
Step 3: Now read paragraph wise & collect data, write it . Analyse it, whatever you like. This will help you to overcome the question "how to start the answer"?
Step 4: Analysis according to technique which you fell most appropriate. This will take 30 to 40 minutes.
Step 5: Give Final answer as far as possible.

Note: It is not possible to get correct answer in 1st or 2nd try. MAC requires a consistent procedure to get the correct solution. At first u will find that only 60% or 70% solution is correct. Don't get disheartened. Think of your experience with basic Trading & P/L a/c problems when u start ur journey in Financial accounting.
Moreover, you have a lot of common discussion with your IPCC knowledge, in other papers in final. But in MAC, u haven't cover the maximum portion in IPCC. So, tight your seat-belt , follow theory seriously, make a knowledge fight with the concept, till your fully satisfied.

Tips for effective studying

a. Aim to find a quiet and undistributed location for your study.
b. Store all your materials in one place, so that you do not waste time searching around the house.
c. Limit distractions by avoiding the phone calls.
d. Prepare a practical time table.
e. Work carefully through a chapter, making notes as you go.
f. Make notes as you study, and discover the techniques that work best for you.
g. Organise your paperwork.

Tips for the final revision phase:

- Summaries your notes into more concise form, perhaps on index cards that you can carry with you for revision on the way into work.
- Summaries the main points in a key area by producing a wordlist, mind map or other mnemonic device.
- On areas that you find difficult, rework questions that you have already attempted, and compare your answers in detail with those provided in the study system.
- Rework questions you attempted earlier in your studies with a view to producing more ‘polished’ answers (better layout and presentation may earn marks in the exam) and to completing them within the time limits.
- Stay alert for practical examples, incidents, situations and events that illustrate the material you are studying. If you can refer in the exam to real-life topical illustrations you will impress the examiner and may earn extra marks.

How to prepare before the day of exam

- Put maximum stress in revising the theory.
- Check the technique of each chapter as given with each topic.
- Do not try to revise the entire set of problems. You have already solved 300 problems and examples; no one can revise it within 32 hours. So check/ review 2 or 3 problems per topic.