

STUDY GUIDE - UPTO NOVEMBER 2011
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

Paper 2
Information for Management Control

Introduction

This booklet contains the Study Guide for the ACCA's Certified Accounting Technician Paper 2: Information for Management Control.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

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January 2011

ABOUT ACCA

ACCA is the largest and fastest-growing international accountancy body with 362,000 students and 131,500 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

AIMS

To develop the ability to use a computer system safely and effectively and to understand the need for data and information to be kept confidential and secure. To develop knowledge and an understanding of how organisations provide basic management information for decision-making, planning and control.

OBJECTIVES

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

- carry out simple visual safety checks on hardware and follow appropriate powering up and shutting down procedures
- understand the purpose of passwords
- access, amend, save and print documents and other files and exit from the relevant software
- use appropriate computer file and folder names
- follow procedures for taking back-up copies of computer files
- understand different types of risk including viruses and hacking
- understand relevant security and legal regulations covering data protection, copyright, health and safety and record retention
- seek assistance when difficulties occur when working with computers
- recognise the need for management information
- identify different elements of cost
- identify different sources of income and expenditure
- code and extract income and expenditure correctly
- deal with problems / errors correctly
- provide comparisons on costs and income
- use relevant software applications to access, analyse, present and communicate information (accounting package, spreadsheet, word processing, e-mail)
- handle confidential information in the correct manner
- present information using house style.

POSITION OF THE PAPER IN THE OVERALL SYLLABUS

No prior knowledge is required before commencing study for Paper 2. This paper provides the basic techniques required to use a computer system safely and to effectively recognise, provide and maintain management information.

Candidates require a sound understanding of the methods and techniques covered in this paper to enable them to move on to the more complex systems and management control problems covered at subsequent levels.

Some of the methods introduced in this paper are revisited and extended in Paper 4, *Accounting for Costs*.

SYLLABUS CONTENT

1 Use computer systems safely and effectively

(a) Visual safety checks
  (i) hardware components
  (ii) plugs and cables

(b) Types of system
  (i) stand-alone PC
  (ii) networked system
  (iii) mainframe with terminals

2 Security, confidentiality and legal issues

(a) Confidentiality
  (i) system access controls
  (ii) individual file (document or spreadsheet) protection

(b) Security
  (i) back-up copies
  (ii) archiving
  (iii) secure storage
  (iv) theft and fraud

(c) Legal regulations
  (i) data protection legislation
  (ii) VDU regulations
  (iii) computer-related Health and Safety
  (iv) document and record retention

3 Management information

(a) Introduction to management information
  (i) the relationship between financial and management accounting
  (ii) the purpose of management information: decision making, planning and control

(b) Reporting management information
  (i) methods of extracting, analysing, presenting and communicating information (including letter, memo, report and e-mail message)

(ii) handling confidential information
(iii) using software to perform (b)(i) and (ii) when relevant
(iv) understanding of the organisation's accounting systems and administrative procedures

4 Income and expenditure

(a) Elements of cost
(i) materials
(ii) labour (including makeup of gross pay)
(iii) expenses
(b) Responsibility centres
(i) cost centres
(ii) profit centres
(iii) investment centres
(c) Relevant documents / sources of information
(i) purchase orders and purchase invoices
(ii) sales orders and sales invoices
(iii) policy manual
(iv) payroll
(v) management reports and spreadsheets
(d) Organisational structures
(i) coding systems
(ii) cost classification

5 Comparisons

(a) Sources of information for comparison
(i) previous period data
(ii) corresponding period data
(iii) forecast data
(iv) ledgers
(b) Variances
(i) adverse / favourable
(ii) exception reporting
(iii) controllable / non-controllable
(iv) reports

6 Decision-making

(a) Marginal costing
(i) contribution
(ii) break-even
(iii) margin of safety

(b) Management information
(i) extraction from relevant sources
(ii) use in decision-making
(iii) role in organisation

EXCLUDED TOPICS

The following topics are specifically excluded from Paper 2:

- software and systems development
- database design and database software.

KEY AREAS OF THE SYLLABUS

All areas of the syllabus are equally important.

APPROACH TO EXAMINING THE SYLLABUS

The examination is a two-hour paper. It can be taken as a written paper or as a computer based exam. Assessment will be based on multiple choice questions covering the breadth of the syllabus, testing that candidates have acquired the necessary knowledge of the areas identified above.

	No. of marks
50 multiple choice questions:	100

LEARNING MATERIALS

ACCA's Approved Learning Partner - content (ALP-c) is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has one Platinum Approved Learning Partner content which is BPP Learning Media. In addition, there are a number of Gold Approved Learning Partners - content.
For information about ACCA's Approved Learning Partners - content, please go ACCA's Content Provider Directory.

The Directory also lists materials by Subscribers, these materials have not been quality assured by ACCA but they may be useful reading. You will also find details here of Additional Reading which the Examiner has suggested may be useful supplementary reading for students.

ACCA's Content Provider Directory can be found here –http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/.

Relevant articles will also be published in Student Accountant.

STUDY SESSIONS

1 Nature, safety and use of computer systems

(a) Describe the different types of hardware configuration: stand-alone PC, networked system, mainframe with terminals
(b) Explain where the different types of hardware configuration may be used
(c) Describe the hardware and software components of a computer system
(d) Describe simple visual safety checks on computer hardware and ancillaries (plugs and cables) and explain their importance
(e) Describe the correct process for powering up and for shutting down computer systems
(f) Describe how to save, transfer and print documents
(g) Outline the requirements of health and safety legislation related to the use of computer hardware

2 Computer system confidentiality and security

(a) Explain computer system access controls and procedures for individual file protection
(b) Describe procedures for backing-up, archiving and storing information securely
(c) Discuss the prevention of computer fraud and data corruption, and of hardware/software problems and failure
(d) Discuss security issues related to the location of hardware and software
(e) Outline the requirements of data protection legislation relating to computer software/information

3 Introduction to management information

(a) Discuss the purpose of management information: planning, control and decision-making
(b) Distinguish between data and information
(c) Describe the features of useful management information
(d) Describe and identify sources and categories of information
(e) Compare cost and management accounting with external financial reporting
(f) Explain the limitations of cost and management accounting information

(g) Describe the accounting technician's role in a cost and management accounting system

4 Reporting management information

(a) Discuss methods of analysing, presenting and communicating information
(b) Describe the nature of general purpose application software packages, including word processing and spreadsheets
(c) Identify suitable formats for communicating management information according to purpose
(d) Identify the general principles of distributing reports (e.g. procedures, timing, recipients) including the reporting of confidential information
(e) Interpret information presented in management reports

5 Aspects of business organisation and accounting

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

6 Management responsibility and performance measurement

(a) Explain and illustrate the concept of cost centres
(b) Explain and illustrate the concept of profit centres
(c) Explain and illustrate the concept of investment centres
(d) 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)
(e) Apply performance measures appropriate to cost, profit and investment centres

7 Cost units, cost classification and profit reporting

(a) Explain and illustrate the concept of cost units
(b) Describe the variety of cost classifications used for different purposes in a cost accounting system, including by responsibility, function, behaviour, direct/indirect
(c) Describe and illustrate the nature of variable, fixed and mixed (semi-variable, stepped-fixed) costs
(d) Describe and illustrate the classification of material and labour costs
(e) Prepare, and explain the nature and purpose of, profit statements in absorption and marginal costing formats
(f) Calculate the cost of a product or service

8 Elements of cost

(a) Describe and illustrate the accounting for material costs (NB inventory issue pricing is excluded)
(b) Calculate material requirements, making allowance for sales and product/material inventory changes (NB control levels and EOQ are excluded)
(c) Describe and illustrate the accounting for labour costs (including overtime premiums and idle time)
(d) Prepare an analysis of gross earnings
(e) Explain and illustrate labour remuneration methods
(f) Calculate the effect of remuneration methods and changes in productivity on unit labour costs
(g) Explain and illustrate the process of cost apportionment and absorption for indirect costs (excluding reciprocal services)

9 Source documents and coding

(a) Explain the use of codes in categorising and processing transactions and the importance of correct coding
(b) Describe the material control cycle (including the concept of 'free' inventory, but excluding control levels and EOQ) and the documentation necessary to order, receive, store and issue materials
(c) Describe the procedures required to ensure the correct authorisation, coding, analysis and recording of direct and indirect material costs

(d) Describe the procedures and documentation required to ensure the correct coding, analysis and recording of direct and indirect labour costs

(e) Describe the procedures and documentation required to ensure the correct authorisation, coding, analysis and recording of direct and indirect expenses

(f) Describe the procedures and documentation to ensure the correct coding, analysis and recording of sales

10 Information for comparison

(a) Explain the purpose of making comparisons

(b) Identify relevant bases for comparison: previous period data, corresponding period data, forecast/budget data

(c) Explain the forecasting/budgeting process and the concept of feedforward and feedback control

(d) Explain the concept of flexible budgets

(e) Use appropriate income and expenditure data for comparison

11 Variances

(a) Explain the concept of exception reporting

(b) Calculate variances between current actual and historical/forecast data which may or may not be adjusted for volume change (N.B. standard costing is excluded)

(c) Identify whether variances are favourable or adverse

(d) Identify possible causes of variances

(e) Explain factors affecting the decision whether to investigate variances

12 Marginal costing and decision-making

(a) Explain and illustrate the concept of contribution

(b) Calculate and utilise contribution per unit, per $ of sales and per unit of limiting factor

(c) Explain and calculate the break-even point and the margin of safety

(d) Analyse the effect on break-even point and margin of safety of changes in selling price and cost

(e) Describe the assumptions, uses and limitations of marginal costing and break-even analysis