LANDMARK UNIVERSITY, OMU-ARAN
COURSE COMPACT

COLLEGE: College of Business and Social Sciences

DEPARTMENT: Accounting and Finance
PROGRAMME: Accounting
COURSE COMPACT for: Alpha Semester

Course

    Course code: ACC 412
    Course title: Performance Management Accounting I

    Credit unit: 3 Units
    Course status: Compulsory

Lecturer's Data

    Name of the lecturer: OLADIPO, Olufemi Adebayo (ACA)
    Qualifications obtained: B.Sc (Accounting), M.Sc (Accountancy), ACA, ACFE.
    Department: Accounting
    College: College of Business and Social Sciences
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    Consultation Hours: Wednesdays 8:00 to 10:00 am
    Fridays 10:00 am to 1:00 pm

INTRODUCTION TO THE COURSE

Course Description: Performance Management Accounting I

Course Justification

This course focuses on Performance and Management Accounting in Corporate Organisation. It will examine students' ability to appreciate the importance of management accounting in personal and corporate financial planning and decision-making. It will also enhance student's ability to provide relevant information to assist the management of organisations in various sectors and at operational and strategic levels in planning, decision making and in controlling operations.

It will also test the student's ability to anticipate and react to contemporary and critical issues in accounting and corporate world.

This course will also introduce students to current topics like Quantitative Techniques, Performance Management and Managerial decision making.

This course is relevant majorly in the Manufacturing Industry of the Private Sector of the economy.

COURSE OBJECTIVES

At the end of this course, the students should be able to understand:

- How to analyse problem situations, propose and/or evaluate alternative courses of action

- Knowledge of the relevant quantitative techniques in solving problems.

- How to identify and apply appropriate performance measurement techniques..

- Management Accounting and Management Information System (MIS).

- Management Accounting Reports and Feedback.

- The Role of Quantitative Techniques in the Decision Making Process.

- Decision Theory (Under Risk and Uncertainty).

- Simulation Models and Stages in the development of simulation model.

- Cost –Volume-Profit (C-V-P) Analysis.

- Linear Programming (LP), Situation of Single resource constraint. Situation of two or more resources constraint

- Learning Curve and Replacement Strategy.

- Queuing Theory

- Capital Investment Decision

COURSE CONTENT

- Introduction and Scope of Management Accounting
- Management Accounting and Management Information System.
- The Role of Quantitative Technique in Decision Making Process.
- Decision Theory and Simulation
- Cost-Volume-Profit (C-V-P) Analysis
- Linear Programming
- Learning Curve, Queue Theory and Capital Investment Decision.
- Current trends in Performance Management Accounting

COURSE EXPECTATIONS

Every class is expected to be an interactive one. Therefore, students are expected to be punctual and attend lectures, participate actively in class and Practical Session, read recommended texts and lecture materials, do all assignments and tests as given.

S/N	GRADING	SCORE (%)
1.	**CONTINUOUS ASSESSMENTS** • C.AI (ASSIGNMENT AND GROUP DISCUSSION) • C.AII (MID-SEMESTER TEST) • C.AIII (ATTENDANCE AND CLASS PARTICIPATION)	 7% 15% 8%
2.	SUB-TOTAL	30%
3.	FINAL EXAMINATION	70%
4.	TOTAL	100%

COURSE DELIVERY STRATEGIES
1. TWO HOURS OF LECTURE AND ONE HOUR OF TUTORIAL PER WEEK.
2. LECTURING WILL BE COMPLEMENTED WITH BOTH THEORY AND PRACTICAL ASPECT.
3. LECTURING TO BE AIDED BY AUDIO VISUAL WHERE AND WHEN NECESSARY.

COURSE DURATION: THREE HOURS PER WEEK FOR 15 WEEKS (45 HOURS)

ALIGNMENT WITH GOALS AND VISION OF LANDMARK UNIVERSITY
TO IMPACT ADEQUATELY INTO THE STUDENTS, THE KNOWLEDGE OF MANAGEMENT ACCOUNTING PRINCIPLES AND TECHNIQUES INTO OUR STUDENTS. THIS WILL ENHANCE THEIR KNOWLEDGE IN BREAK NEW GROUNDS IN THE FIELD OF ACCOUNTING.
TO ALSO MAKE STUDENTS TO BE SOLUTION PROVIDERS THROUGH ADEQUATE UNDERSTANDING OF THE IMPORTANCE OF MANAGEMENT ACCOUNTING IN CORPORATE FINANCIAL PLANNING AND DECISION-MAKING PROCESS IN THE CORPORATE WORLD

LECTURE CONTENT

➢ **MODULE 1** OVERVIEW OF PERFORMANCE MANAGEMENT ACCOUNTING

  ➢ **WEEK 1 & 2: INTRODUCTION AND SCOPE OF MANAGEMENT ACCOUNTING**
    • INTRODUCTION.
    • THE NATURE AND FUNCTIONS OF MANAGEMENT ACCOUNTING.
    • THE DECISION MAKING PROCESS
    • THE ROLES OF THE MANAGEMENT ACCOUNTANT
    • MANAGEMENT ACCOUNTING TECHNIQUES
    • COMPARISON OF MANAGEMENT ACCOUNTING AND FINANCIAL ACCOUNTING.
➢ **OBJECTIVES**
  AFTER STUDYING THIS MODULE, STUDENTS WILL
    • UNDERSTAND THE SCOPE AND PRINCIPLES OF MANAGEMENT ACCOUNTING.

- EXPLAIN IN DETAILS MANAGEMENT ACCOUNTING AS IT RELATES TO COST ACCOUNTING AND FINANCIAL ACCOUNTING.
- UNDERSTAND THE TECHNIQUES USED IN MANAGEMENT ACCOUNTING FOR PLANNING, CONTROLLING, AND DECISION-MAKING.
- EXPLAIN THE ROLES OF MANAGEMENT ACCOUNTING IN AN ORGANISATION.
- UNDERSTAND THE BASIC MANAGEMENT ACCOUNTING ISSUES, SUCH AS BUSINESS OBJECTIVES, GOAL CONGRUENCE ETC.

DESCRIPTION

MANAGEMENT ACCOUNTING CAN BE DEFINED AS APPLICATION OF PROFESSIONAL SKILLS IN THE PREPARATION AND PRESENTATION OF ACCOUNTING INFORMATION IN SUCH A WAY AS TO ASSIST MANAGEMENT IN THE FORMULATION OF POLICIES AND IN THE PLANNING, AND CONTROL OF THE OPERATIONS OF THE UNDERTAKING.

MANAGEMENT ACCOUNTING ALSO COMPRISES THE PREPARATION OF FINANCIAL REPORTS FOR NON-MANAGEMENT GROUPS SUCH AS SHAREHOLDERS, CREDITORS, REGULATORY AGENCIES AND TAX AUTHORITIES.

IN THE ABOVE DEFINITIONS, WE COULD SEE THAT POLICY-MAKING, PLANNING AND CONTROL ARE GENERALLY DESCRIPTIONS OF ALL THE FUNCTIONS OF MANAGEMENT. IT MEANS THAT ANY INFORMATION WHICH COULD BE USEFUL TO MANAGERS AND WHICH WAS EVALUATED IN MONETARY TERMS COULD BE A MANAGEMENT ACCOUNTING RESPONSIBILITY.

FIRST HOUR

GENERAL INTRODUCTORY ASPECTS OF PERFORMANCE MANAGEMENT ACCOUNTING AND ITS OBJECTIVES, AS WELL AS THE VARIOUS USERS OF PERFORMANCE MANAGEMENT ACCOUNTING INFORMATION

SECOND HOUR

THE ROLES OF THE MANAGEMENT ACCOUNTANT, BUSINESS OBJECTIVES AND MANAGEMENT INFORMATION SYSTEM, MANAGEMENT ACCOUNTING REPORTS AND FEEDBACK; THE QUALITIES REQUIRED OF A GOOD MANAGEMENT INFORMATION SYSTEM.

THIRD HOUR

OVERVIEW OF PERFORMANCE MANAGEMENT ACCOUNTING AND COMPARISON OF MANAGEMENT ACCOUNTING, COST ACCOUNTING AND FINANCIAL ACCOUNTING

TUTORIAL WILL BE ON A WEEKLY BASIS. STUDENTS WILL BE GIVEN PRACTICAL QUESTIONS TO SOLVE AND SOLUTION TO THE QUESTIONS WOULD BE REVIEW TOGETHER WITH THE LECTURER.

STUDY QUESTION:

MENTION TWO WAYS IN WHICH MANAGEMENT ACCOUNTING DIFFERS FROM FINANCIAL ACCOUNTING.

IDENTIFY AND DESCRIBE TWO DIFFERENT USERS OF ACCOUNTING INFORMATION.

DESCRIBE TWO DIFFERENT FUNCTIONS OF MANAGEMENT ACCOUNTING.

WHAT IS GOAL CONGRUENCE?

MENTION TWO TECHNIQUES USED BY MANAGEMENT ACCOUNTANTS.

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.

2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.

3. APPLICATION OF QUANTITATIVE TECHNIQUES TO MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L

4. ONLINE PUBLICATIONS, ICAN STUDENTS' JOURNAL AND NEWSPAPERS.

MODULE 2 MANAGEMENT INFORMATION SYSTEM
WEEK 3 & 4

TOPIC: MANAGEMENT ACCOUNTING AND MANAGEMENT INFORMATION SYSTEM

- INTRODUCTION TO MANAGEMENT INFORMATION SYSTEM
- LEVEL OF INFORMATION
- SYSTEM DESIGN
- THE CHARACTERISTICS AND COMPONENTS OF A SYSTEM
- TYPES OF SYSTEM (OPEN AND CLOSED)
- MANAGEMENT CONTROL SYSTEM AND TYPES OF CONTROLS.

OBJECTIVES

AFTER STUDYING THIS MODULE, STUDENTS WILL

- UNDERSTAND MANAGEMENT INFORMATION SYSTEM ROLE IN RELATION TO MANAGEMENT ACCOUNTING.
- EXPLAIN MANAGEMENT REPORTS AND FEEDBACK
- IDENTIFY INFORMATION ATTRIBUTES.

STUDY QUESTION:

I. STATE THREE QUALITIES OF INFORMATION
II. WHAT IS MANAGEMENT INFORMATION SYSTEM?
III. DESCRIBE TACTICAL INFORMATION?
IV. THAT INFORMATION USED BY SENIOR MANAGERS TO PLAN THE OBJECTIVES OF THEIR ORGANISATIONS AND TO ASSESS WHETHER THE OBJECTIVES ARE BEING MET IN PRACTICE IS CALLED _____

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.
2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.

MODULE 3 DECISION MAKING PROCESS
WEEK 5

TOPIC: THE ROLE OF QUANTITATIVE TECHNIQUE IN DECISION MAKING PROCESS

- INTRODUCTION.
- QUANTITATIVE ANALYSIS PROCESS.
- MODEL CONSTRUCTION AND MODELLING
- TYPES OF MODEL

OBJECTIVES

AFTER STUDYING THIS MODULE, STUDENTS WILL

- UNDERSTAND THE TERMS RISK AND UNCERTAINTY
- EXPLAIN THE APPLICATION OF PROBABILITY IN PROJECT APPRAISAL
- UNDERSTAND THE CONSTRUCTION OF A DECISION TREE WHEN THERE IS A RANGE OF ALTERNATIVES AND POSSIBLE OUTCOMES
- THE MAXIMIN, MAXIMAX AND MINIMAX
- ASSET REPLACEMENT DECISIONS

STUDY QUESTION:

I. DISTINGUISH BETWEEN RISK AND UNCERTAINTY?

II. A TERM USED TO DESCRIBE ANY TECHNIQUE WHEREBY DECISION ARE TESTED BY THEIR VULNERABILITY TO CHANGES IN ANY VARIABLES IS KNOWN AS _____

III. THE SALES DEMAND OF A PRODUCT ARE AS FOLLOWS:

10,000 UNITS	0.3
20,000 UNITS	0.4
50,000 UNITS	0.2
100,000 UNITS	0.1

SELLING PRICE PER UNIT IS N20 AND VARIABLE COST IS N6. WHAT IS THE TOTAL CONTRIBUTION OF THE PRODUCT?

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.

2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.

MODULE 4 **DECISION THEORY**

WEEK 6 & 7

TOPIC: DECISION THEORY AND SIMULATION

⁺INTRODUCTION.

✦ DECISION MAKING UNDER CERTAINTY.

✦ DECISION MAKING UNDER RISK

✦ DECISION MAKING UNDER UNCERTAINTY.

✦ SIMULATION MODEL.

✦ STAGES IN THE DEVELOPMENT OF A SIMULATION MODEL.

✦ CONTROLLABLE VARIABLES.

✦ NON-CONTROLLABLE VARIABLES.

✦ ADVANTAGES AND DISADVANTAGES OF SIMULATION

OBJECTIVES

AFTER STUDYING THIS MODULE, STUDENTS WILL

- BE ABLE TO UNDERSTAND PAYBACK, RISK PREMIUM AND FINITE HORIZON METHODS.
- UNDERSTAND THE TERMS STANDARD DEVIATION AND COEFFICIENT OF VARIATION AS MEASURES OF RISK AND THEIR LIMITATIONS.
- EXPLAIN SENSITIVITY ANALYSIS AND IT APPLICATION TO PROJECT APPRAISAL.

STUDY QUESTION:

1.   Alawada Limited is considering a five-year project whose initial cost would be N3million. The contribution consists of annual sales of N2.8million and variable costs of N2million for 1,000,000 units of sales per annum. These are the expected money values in year 1. All sales would be made through a single distributor who has asked for a fixed selling price of N2.80 per unit for three years after which prices could be increased by 20% for year 4 and held constant at this new price for years 4 and 5. The variable cost is N2.00 per unit and it consists of material cost of N0.80 which is expected to increase by 5% per annum and the balance represents labour cost which is expected to increase by 10% per annum for each year. The company's cost of capital is assumed to be 10%.

You are required to
(a) Calculate the Net Present Value of the project and advise on its viability.
    (9 Marks)
(b) State TWO features of capital budgeting decision.
(c) Give FOUR reasons why capital budgeting decision is important.

READING LIST
1.   ICAN Study Pack- Performance Management, Professional Examination ll.
2.   Essentials of Management Accounting by Asaolu T.O. & Nassar M.L.
3.   Application of Quantitative Techniques to Management Accounting by Asaolu T.O. & Nassar M.L

MODULE 5   REVISION AND MID SEMESTER TEST
    WEEK 8
    TOPIC: MID-SEMESTER TEST

MODULE 6   BREAK-EVEN ANALYSIS
    WEEK 9 & 10
    TOPIC: COST-VOLUME-PROFIT (C-V-P) ANALYSIS

    +   INTRODUCTION
    +   APPLICATION OF C-V-P TECHNIQUES.
    +   ASSUMPTIONS IN C-V-P ANALYSIS.
    +   THE BREAK-EVEN CHART AND PROFIT VOLUME CHART.
    +   C-V-P ANALYSIS FORMULA.
    +   USING MATHEMATICAL APPROACH.
    +   LIMITATIONS OF THE BASIC ASSUMPTIONS.
    +   ILLUSTRATION AND PRACTICE QUESTIONS.

OBJECTIVES
AFTER STUDYING THIS MODULE, STUDENTS WILL

- BE ABLE TO APPLY MARGINAL COSTING TECHNIQUES AND THE PREPARATION OF OPERATING STATEMENTS USING MARGINAL AND ABSORPTION COSTING TECHNIQUES;
- EXPLAIN THE PRINCIPLES OF CARRYING OUT THE COST-VOLUME-PROFIT (CVP) ANALYSIS FOR DECISION MAKING;
- BREAK-EVEN CHARTS AND PROFIT GRAPHS;
- THE LIMITING FACTOR AND ITS EFFECT ON DECISION PROCESS.

STUDY QUESTION:

I. WHAT ARE THE FORMULAE FOR BREAK-EVEN POINT (UNITS); BREAK-EVEN POINT (SALES VALUE)?

II. STATE FIVE (5) BASIC ASSUMPTIONS OF COST VOLUME PROFIT ANALYSIS

III. A COMPANY FIXED COST IS N100,000 AND HAS TWO PRODUCTS. THE SALES AND CONTRIBUTION SALES RATIO ARE:

PRODUCT	SALES	P/V RATIO	VARIABLE
A	N300,000	20%	_____
B	N80,000	50%	_____

DETERMINE THE VARIABLE COST FOR PRODUCT A AND B

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.
2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.
3. APPLICATION OF QUANTITATIVE TECHNIQUES TO MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L

MODULE 7 THE APPLICATION OF QUANTITATIVE METHODS TO MANAGEMENT ACCOUNTING

WEEK 11, 12 & 13

TOPIC: LINEAR PROGRAMMING

- + INTRODUCTION
- SITUATION OF SINGLE-RESOURCE CONSTRAINT.
- SITUATION OF TWO OR MORE RESOURCES CONSTRAINTS.
- STRUCTURE OF A LINEAR PROGRAMMING.
- OBJECTIVE FUNCTION AND CONSTRAINTS.
- ASSUMPTION UNDERLYING LINEAR PROGRAMMING.
- LIMITATIONS OF LINEAR PROGRAMMING.
- APPROACHES TO LINEAR PROGRAMMING SOLUTIONS.
- PROCEDURES FOR A GRAPHICAL SOLUTION TO A LINEAR PROGRAMMING AND PROBLEM.
- DUAL PRICE, SHADOW PRICE OR SENSITIVITY ANALYSIS.

OBJECTIVES

AFTER STUDYING THIS MODULE, STUDENTS WILL

- BE ABLE TO UNDERSTAND THE SITUATIONS WHEN IT MAY BE APPROPRIATE TO USE THE LINEAR PROGRAMMING TECHNIQUE;
- EXPLAIN THE VARIOUS LINEAR PROGRAMMING TECHNIQUES AND THEIR APPLICATIONS;
- THE MEANING AND USEFULNESS OF THE TERM "SHADOW PRICE"

STUDY QUESTION:

i. A MATHEMATICAL TECHNIQUE CONCERNED WITH THE ALLOCATION OF SCARCE RESOURCES IS CALLED _____

ii. IN THE PRICING MODEL, THE INCREASE IN THE VALUE OF THE OBJECTIVE FUNCTION WHICH WOULD BE ACHIEVED IF ONE UNIT OF THE RESOURCES WAS AVAILABLE IS CALLED _____

iii. THAT LINEAR PROGRAMMING REFERS TO THE QUANTIFICATION OF AN OBJECTIVE AND USUALLY TAKES THE FORMAL MAXIMIZING PROFITS OR MINIMIZING COSTS IS CALLED _____

iv. WHEN CAN GRAPHICAL SOLUTION METHOD BE USED IN LINEAR PROGRAMMING?

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.
2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.
3. APPLICATION OF QUANTITATIVE TECHNIQUES TO MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L

MODULE 8   CAPITAL INVESTMENT DECISION
WEEK 14 & 15

TOPIC: LEARNING CURVE, QUEUE THEORY AND CAPITAL INVESTMENT DECISION

- INTRODUCTION
- LEARNING CURVE/COST EXPERIENCE CURVE THEORY
- FACTORS THAT MUST PREVAIL FOR LCT TO BE APPLICABLE.
- QUEUE THEORY.
- ELEMENTS OF QUEUING SYSTEMS.
- NON-DISCOUNTING METHOD- PAYBACK PERIOD METHOD (PBP) AND ACCOUNTING RATE OF RETURN (ARR)
- CONCEPT OF TIME VALUE OF MONEY.
- CONCEPT OF ANNUITY.
- DISCOUNTING METHOD- NET PRESENT VALUE (NPV), INTERNAL RATE OF RETURN (IRR) AND MODIFIED IRR.

OBJECTIVES
AFTER STUDYING THIS MODULE, STUDENTS WILL

- BE ABLE TO UNDERSTAND THE LEARNING CURVE THEORY AND THE SITUATIONS WHEN IT CAN BE APPLIED;

- EXPLAIN THE ADVANTAGES AND LIMITATIONS OF THE LEARNING CURVE THEORY;
- BE ABLE TO COMPUTE AVERAGE AND INCREMENTAL LABOUR FOR DIFFERENT OUTPUT LEVELS;
- UNDERSTAND HOW TO CALCULATE PBP, ARR, NPV AND IRR
- CAPITAL RATIONING AND SELECT THE OPTIMUM COMBINATION OF INVESTMENTS WHEN CAPITAL IS RATIONED FOR A SINGLE PERIOD;
- EXPLAIN THE CONCEPT OF PROFITABILITY INDEX.

STUDY QUESTION:

I. WHAT IS A PROFITABILITY INDEX?

II. EXPLAIN THE CONCEPT OF CAPITAL RATIONING.

III. THE DISCOUNT RATE USED IN DISCOUNTED CASH FLOW CALCULATION IS KNOWN AS _____

IV. PRODUCTION AND COST DATA OF FOYEGBE NIGERIA LTD HAVE BEEN RECORDED AS FOLLOWS:

PRODUCTS	GLORY	EXCELLENT	WONDERFUL
	N	N	N
SALES PRICE	100	150	200
DIRECT MATERIAL (N2/KG)	10	66	45
DIRECT WAGES (N4/HR)	40	22	60
VARIABLE OVERHEAD	20	11	30

VARIABLE OVERHEADS ARE RECOVERED AT THE RATE OF N2 PER DIRECT LABOUR HOUR. TOTAL FIXED OVERHEADS ARE ESTIMATED AT N60,000.

YOU ARE REQUIRED TO:

A) CALCULATE THE PRIORITY RANKING OF THE PRODUCTS:

I. WHEN THE MARKET FOR SALES IS LIMITED TO MATERIAL VOLUME

II. WHEN THE MARKET FOR SALES IS LIMITED BY SALES VALUE

III. WHEN THE SUPPLY OF LABOUR IS LIMITED

B) CALCULATE THE MAXIMUM CONTRIBUTION AND THE SALES UNITS WHEN THE TOTAL RAW MATERIALS AVAILABLE ARE 30,000KG AND THE MAXIMUM SALES POTENTIAL FOR EACH PRODUCT IS AS FOLLOWS:
GLORY (800 UNITS)   EXCELLENT (700 UNITS)   WONDERFUL (900 UNITS)

READING LIST

1. ICAN STUDY PACK- PERFORMANCE MANAGEMENT, PROFESSIONAL EXAMINATION LL.

2. ESSENTIALS OF MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L.

3. APPLICATION OF QUANTITATIVE TECHNIQUES TO MANAGEMENT ACCOUNTING BY ASAOLU T.O. & NASSAR M.L

4. ONLINE PUBLICATIONS, ICAN STUDENTS' JOURNAL AND NEWSPAPERS.

MODULE 9   GENERAL REVISION

WEEK 16

TOPIC: GENERAL REVISION AND PREPARATION FOR THE ALPHA SEMESTER EXAM.

HOD's COMMENTS: _____

_____

_____

_____

NAME: _____   SIGNATURE   _____   DATE: _____