



AAT

Management Accounting Techniques

Pocket Notes

These Pocket Notes support study for the following AAT qualifications:

AAT Diploma in Accounting – Level 3

AAT Certificate in Bookkeeping – Level 3

AAT Diploma in Accounting at SCQF Level 6

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chapter

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Management accounting

- Financial accounting and management accounting.
- The nature of cost accounting.
- Basic terms in cost accounting.

Financial accounting and management accounting

Definition

Financial accounts are an historical record of transactions which are presented in a standard format laid down by law. Such accounts are normally produced once or twice a year and are primarily used by external groups, e.g. shareholders.

Definition

Management accounts can be produced in any format that is useful to an organisation. They tend to be produced more frequently than financial accounts, usually once a month. They contain information required to run a business.



Management Information

Management information needs to have the attributes of good information – it needs to be

ACCURATE:

Accurate

Complete

Cost-effective

Understandable

Relevant

Authoritative

Timely

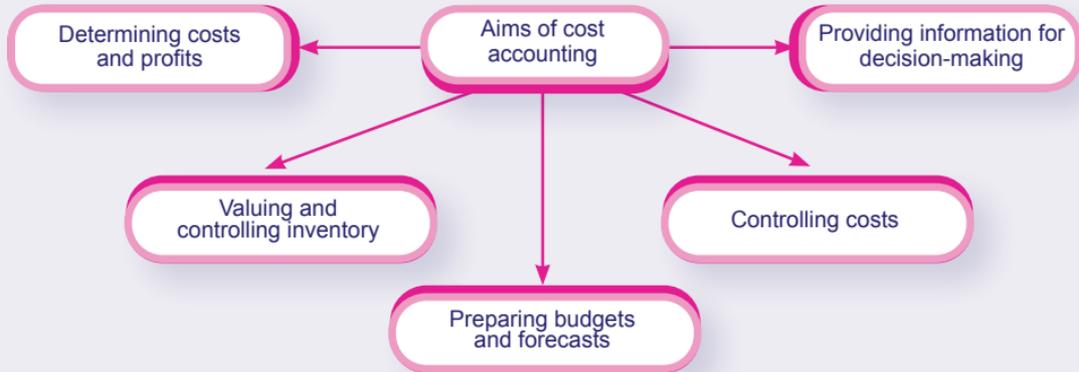
Easy to use

The nature of cost accounting

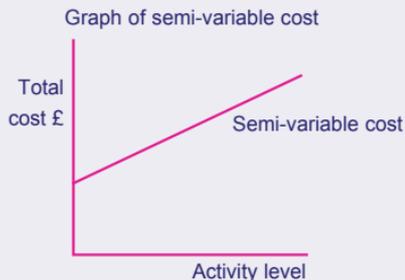
Definition

Cost accounting is the process of calculating and recording the costs involved in the production and distribution of products and services.

Main reason for carrying out cost accounting: to calculate the cost of a product and therefore set the sales price of the item.



A **semi-variable cost** is one that contains both fixed and variable elements.



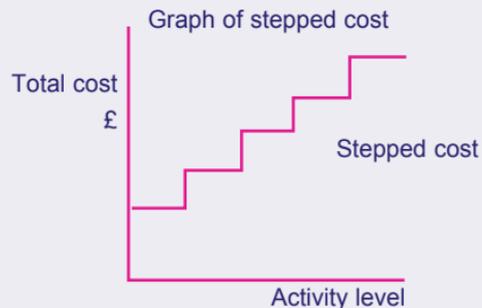
Semi-variable costs are also known as **semi-fixed costs** or **mixed costs**.

Examples of semi-variable costs:

Electricity – standing charge (fixed) + costs	cost per Kwh used (variable)
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Salesman's salary – basic (fixed) + bonus	(variable)
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A **stepped cost** is one that remains fixed over a certain range of activity, but increases if activity increases beyond that level.



Examples of stepped costs:

Inventory storage costs

Supervisor salaries



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