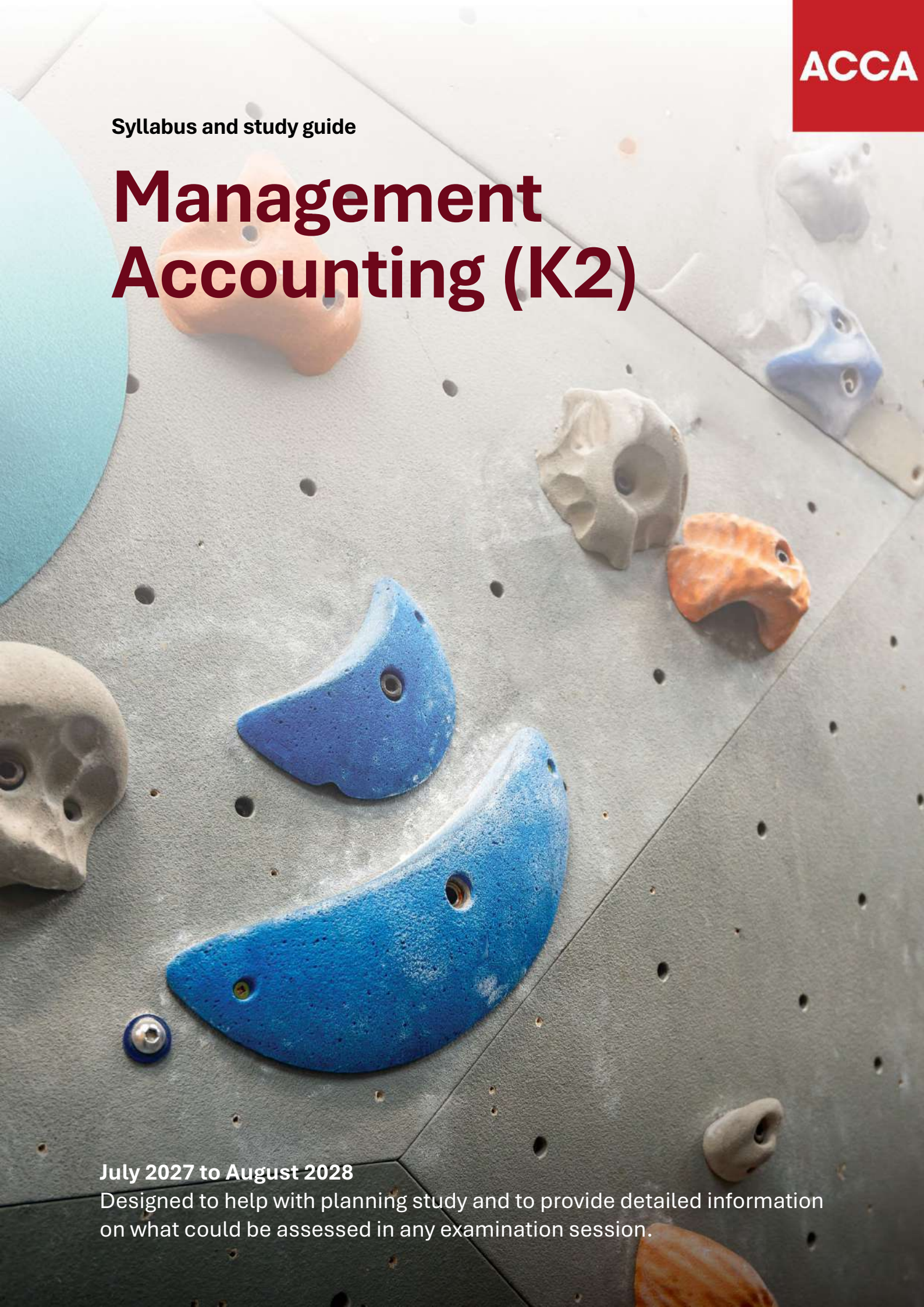
Syllabus and study guide

Management Accounting (K2)



July 2027 to August 2028

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

Contents

1. Overall aim of the syllabus

The overall aim of the syllabus is to develop knowledge and understanding of management information and techniques to support senior management in planning, controlling and decision-making in a variety of business contexts.

2. Introduction to the syllabus

The syllabus for K2, Management Accounting, starts by introducing the nature, the source and purpose of management information and systems followed by data analysis and statistical techniques. The syllabus then addresses cost classification and cost behaviour which underpin the costing techniques used in business which are essential for any management accountant to understand and apply.

The syllabus then focuses on the preparation of budgets and the use of budgeting, standard costing and variance analysis as essential tools for planning and controlling business activities. The syllabus concludes with short-term and long-term decision-making techniques with candidates expected to draw conclusions and make recommendations for action.

3. Main capabilities

On successful completion of this course of study, candidates should be able to:

- Understand the use of management information and select the most appropriate method to report information to support management in making decisions which add value to a business
- Identify trends and draw insights, using data analysis skills, to contribute to business plans
- Apply costing techniques to account for different types of costs and understand how changes in costs can influence short and long-term financial results and decisions
- Prepare budgets and variance analysis to help guide an organisation's people and processes to achieve its objectives
- Interpret an organisation's plans and results to prepare quality information to support senior management in their review of business performance
- Apply short-term and long-term decision-making techniques to defined business matters to provide commercially viable recommendations
- Understand the link between the core areas of management accounting and use a range of tools, techniques and skills to support a business to drive improvements in its performance

4. Intellectual levels

This course of study assesses both knowledge and skills within an accounting or business context. The assessment of knowledge is denoted by a superscript ^{K} and the assessment of skills is denoted by the superscript ^{S} shown at the end of each learning outcome.

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6. Detailed study guide

A Management information and data analysis

1. Management information and systems

a) Explain the purpose of management accounting within an organisation.[K]

b) Summarise the differences between financial accounting and management accounting.[K]

c) Explain the managerial processes of planning, control and decision making.[K]

d) Summarise the differences between strategic, tactical and operational planning and explain the characteristics of information required at each level.[K]

e) Summarise the differences between data and information.[K]

f) Explain the attributes of good information.[K]

g) Explain the systems used to ensure the correct authorisation, recording and analysis of cost and sales transactions.[K]

2. Presenting management information

a) Select suitable formats for presenting and communicating management information according to purpose and organisational guidelines.[S]

b) Apply data visualisation techniques to management reports including tables, charts and graphs (bar charts, line graphs, pie charts and scatter graphs).[S]

c) Interpret information, including tables, charts and graphs, presented in management reports.[S]

3. Summarising, analysing and comparing data

a) Explain the two types of data: categorical (nominal and ordinal) and numerical (continuous and discrete).[S]

b) Explain the terms descriptive analysis and inferential analysis.[K]

c) Calculate the mean, mode and median for ungrouped data and the mean for grouped data.[S]

d) Calculate measures of dispersion including the variance, standard deviation and coefficient of variation for both grouped and ungrouped data.[S]

e) Calculate simple and joint probabilities for use in decision making.[S]

f) Explain the properties of a normal distribution.[S]

g) Interpret normal distribution graphs and tables.[S]

h) Explain the purpose of making comparisons and select relevant bases for comparison including previous period data, corresponding period data and forecast/budget data.[S]

4. Linear functions

a) Explain the structure of linear functions and equations.[K]

b) Interpret scatter diagrams and lines of best fit.[S]

c) Apply the high-low method to produce cost forecasts including situations involving stepped fixed costs or changes in the variable cost per unit.[S]

d) Explain the advantages and disadvantages of using the high-low

method to estimate the fixed and variable elements of the total cost.[K]

5. Linear regression

a) Calculate the components of a linear function using regression analysis and interpret the results.[S]

b) Apply linear regression coefficients to make forecasts of costs and revenues.[S]

c) Explain the concepts of correlation coefficient and coefficient of determination.[K]

d) Calculate and interpret the correlation coefficient and the coefficient of determination.[S]

e) Explain the advantages and disadvantages of linear regression analysis.[K]

6. Time series analysis

a) Explain the principles of time series analysis and its components (trend, seasonal variation, cyclical variation and random variation).[K]

b) Calculate moving averages.[S]

c) Calculate the trend, including the use of linear functions.[S]

d) Apply trend and seasonal variations (additive and multiplicative) to prepare forecasts.[S]

e) Explain the advantages and disadvantages of time series analysis.[K]

7. Big data

a) Explain the five characteristics of big data (volume, variety, velocity, value and veracity).[K]

b) Explain the three types of big data: structured, semi-structured and unstructured.[K]

c) Explain the main uses of big data and data analytics for organisations.[K]

B Cost accounting techniques

1. Cost classification and behaviour

a) Explain and interpret the variety of cost classifications used for different purposes in a cost accounting system, including:

(i) Production and non-production costs.[S]
(ii) Direct (prime) and indirect costs.[S]
(iii) Nature (materials, labour and expenses).[S]

b) Explain the importance of the distinction between production and non-production costs when valuing output and inventories.[K]

c) Explain the variety of cost behaviours used for different purposes in a cost accounting system, including variable, fixed, stepped fixed and semi-variable.[S]

d) Interpret graphical representations of different types of cost behaviour.[S]

e) Apply cost behaviour principles to the costing of products or services.[S]

f) Explain and interpret the use of codes in categorising transactions including sequential, hierarchical, block, faceted and mnemonic coding methods.[S]

2. Responsibility accounting

a) Explain and illustrate the concepts of cost objects, cost units and responsibility centres.[S]

b) Summarise the differences between cost, revenue, profit and investment centres.[K]

c) Summarise the differing needs for information of cost, revenue, profit and investment centre managers.[K]

d) Select performance measures appropriate for cost, revenue, profit and investment centres.[S]

3. Material, labour and other expenses

a) **Material:**

(i) Explain the material control cycle and the processes necessary to order, receive, store and issue materials.[K]
(ii) Explain and prepare the accounting entries for material costs.[S]
(iii) Explain and calculate the costs of ordering and holding inventory, including buffer inventory.[S]
(iv) Calculate the economic order quantity (EOQ) and interpret optimal reorder quantities, including when discounts apply.[S]
(v) Explain and calculate inventory control levels (minimum, maximum, reorder) and free inventory.[S]
(vi) Calculate the value of closing inventory and material issues by applying FIFO (first in, first out) and AVCO (average cost), both periodic weighted average and cumulative weighted average.[S]
(vii) Explain Just-in-Time (JIT) as an inventory management approach.[K]

b) **Labour:**

(i) Explain and calculate direct and indirect costs of labour, including idle time and overtime.[S]
(ii) Explain and prepare the accounting entries for labour costs.[S]
(iii) Calculate total remuneration, including bonuses under different remuneration methods.[S]
(iv) Explain the causes and costs of, and calculate, labour turnover.[S]
(v) Explain and calculate labour efficiency, capacity and production volume ratios.[S]

b) **Other expenses:**

(i) Explain and prepare the accounting entries for direct and indirect expenses (overheads).[S]
(ii) Explain and apply the process of allocating and apportioning overheads to cost centres and cost units.[S]
(iii) Apply the process of cost reapportionment for service cost centre overheads, including the direct, step down and reciprocal methods.[S]
(iv) Select and apply appropriate bases for absorption rates.[S]
(v) Summarise the relative merits of actual and pre-determined absorption rates.[K]
(vi) Explain and prepare the accounting entries for production overhead costs, including the analysis and interpretation of under/over absorption.[S]

4. Absorption and marginal costing

a) Explain the importance of, and apply, the concept of contribution.[S]

b) Explain the effect of absorption and marginal costing on inventory valuation and profit determination.[S]

c) Calculate the profit or loss under absorption and marginal costing.[S]

d) Prepare a reconciliation between the profits or losses calculated under absorption and marginal costing.[S]

e) Prepare profit statements in absorption costing and marginal costing formats and explain the differences.[S]

f) Calculate product cost and profit using absorption and marginal costing (including mark-up and margin).[S]

5. Job, batch, process and service costing

a) **Job and batch costing:**

(i) Explain the characteristics of job and batch costing.[K]
(ii) Explain the situations where the use of job or batch costing would be appropriate.[K]
(iii) Calculate costs and profits under job and batch costing.[S]

b) **Process costing:**

(i) Explain the characteristics of process costing.[K]
(ii) Explain the situations where the use of process costing would be appropriate.[K]
(iii) Explain and calculate normal and abnormal losses/gains.[S]
(iv) Summarise the difference between by-products and joint products.[K]
(v) Explain the accounting treatment of by-products and joint products at the point of separation.[K]
(vi) Calculate the value of by-products and joint products at the point of separation using net realisable value (NRV) and weight/volume methods.[S]
(vii) Calculate the benefit of further processing.[S]

c) **Service/operation costing:**

(i) Explain the characteristics of service organisations.[K]
(ii) Explain the situations where the use of service costing would be appropriate.[K]
(iii) Select and calculate suitable unit cost measures that may be used in different service/operation situations.[S]

C Budgeting

1. Purpose of budgeting

a) Explain why organisations use budgeting.[K]

b) Explain the planning and control cycle in an organisation, including the concepts of feedback and feedforward.[K]

c) Explain the stages in the budgeting process.[K]

2. Budget preparation

a) Explain the importance of the principal budget factor in constructing a budget.[K]

b) Prepare sales budgets.[S]

c) Prepare functional budgets (production, raw materials usage and purchases, labour, variable and fixed overheads).[S]

d) Prepare cash budgets.[S]

e) Prepare master budgets (statement of profit or loss and statement of financial position).[S]

3. Asset budgeting

a) Explain the importance of investment planning and control.[K]

b) Explain the difference between asset and expense items.[K]

c) Summarise the issues to consider and the steps involved in the preparation of an asset expenditure budget.[K]

4. Fixed and flexible budgets

a) Explain the situations where fixed or flexible budgets would be appropriate.[K]

b) Prepare flexible and flexed budgets.[S]

c) Calculate simple variances between a flexed budget, fixed budget and actual sales, costs and profits.[S]

D Standard costing and variance analysis

1. Standard costing

a) Explain the purpose and principles of standard costing.[K]

b) Explain and illustrate the difference between standard, absorption and marginal costing.[S]

c) Calculate the standard cost per unit under absorption and marginal costing.[S]

2. Variance calculations

a) Calculate sales price and volume variances.[S]

b) Calculate materials total, price and usage variances.[S]

c) Calculate labour total, rate and efficiency variances.[S]

d) Calculate variable overhead total, expenditure and efficiency variances.[S]

e) Calculate fixed overhead total, expenditure and, where appropriate, volume, capacity and efficiency variances.[S]

f) Calculate actual or standard figures where the variances are given.[S]

g) Prepare a reconciliation of budgeted profit with actual profit under standard absorption costing.[S]

h) Prepare a reconciliation of budgeted profit or contribution with actual profit or contribution under standard marginal costing.[S]

3. Variance analysis

a) Interpret standard costing variances.[S]

b) Explain factors to consider before investigating variances, possible cause of variances and possible control action.[S]

c) Explain the interrelationships between variances.[S]

d) Explain the concept of exception reporting.[K]

E Decision-making techniques

1. Short-term decision making

a) **Relevant cost analysis:**

(i) Explain the concept of relevant costs.[K]
(ii) Apply the concept of relevant costs to business decisions.[S]

b) **Limiting factor analysis:**

(i) Explain the importance of the limiting factor concept.[K]
(ii) Calculate the limiting factor in given situations.[S]
(iii) Calculate the optimal production solution when there is a single resource constraint.[S]
(iv) Calculate the optimal solution for a make/buy situation when there is a single resource constraint.[S]
(v) Calculate and interpret a shadow price.[S]

c) **Cost-volume-profit (CVP) analysis:**

(i) Calculate contribution per unit and the contribution to sales (C/S) ratio.[S]
(ii) Explain the concepts of break-even and the margin of safety.[K]
(iii) Calculate the break-even point and margin of safety using contribution per unit and C/S ratio.[S]
(iv) Explain and calculate the effect on the break-even point and margin of safety from changes in selling price and costs.[S]
(v) Calculate the sales required to achieve a target profit using contribution per unit and C/S ratio.[S]
(vi) Interpret break-even and profit/volume charts for a single product or business.[S]
(vii) Explain the assumptions underpinning CVP analysis.[K]

2. Long-term decision making

a) Explain and calculate simple and compound interest, and nominal and effective interest rates.[S]

b) Explain and calculate compounding and discounting.[S]

c) Summarise the distinction between cash flow and profit and the relevance of cash flow to investment appraisal.[S]

d) Apply relevant costing principles to the selection of cash flows for individual investment decisions.[S]

e) Explain the methods of investment appraisal (net present value (NPV), internal rate of return (IRR), return on capital employed (ROCE) and payback (discounted and non-discounted)).[K]

f) Calculate NPV, IRR, ROCE and payback (discounted and non-discounted).[S]

g) Calculate present values for annuities and perpetuities.[S]

h) Interpret the results of NPV, IRR, ROCE and payback calculations for investment viability. [S]

7. Approach to examining the syllabus

The syllabus is assessed by a two-hour computer-based examination. Questions will assess all parts of the syllabus and will test knowledge and some comprehension or application of this knowledge.

The examination will consist of two sections.

Section A will contain 35 two-mark objective test questions (OTs).

Section B will contain 3 ten-mark multi-task questions (MTQs) each of which will examine the **Budgeting**, **Standard costing and variance analysis** and **Decision-making techniques** sections of the syllabus.

Note: Budgeting MTQs in Section B can also include tasks from syllabus areas A3 to A6.

8. Guide to ACCA examination structure and delivery mode

The structure of examinations varies, depending on the level of the qualification.

The Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

All Knowledge examinations are assessed by two-hour computer-based examinations.

The pass mark for all Knowledge examinations is 50%.

9. Guide to ACCA examination assessment

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For specified financial accounting, audit and tax examinations, except if indicated otherwise, ACCA will publish examinable documents once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions. Regulation issued, or legislation passed on or before 31 August annually, will be assessed from 1 September of the following year to 31 August of the year after. Please refer to the examinable documents for the exam (where relevant) for further information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the effective date is in the future. The terms ‘issued’ or ‘passed’ relate to when regulation or legislation has been formally approved.

The term ‘effective’ relates to when regulation or legislation must be applied to entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list, where applicable.

10. Learning hours and education recognition

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognised and valued by governments and regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the educational frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.