



IAB LEVEL 3 DIPLOMA IN COST AND MANAGEMENT ACCOUNTING
(Qualification Accreditation Number 500/2994/0)

INTRODUCTION

The overall aim of this qualification is to accredit candidates' knowledge and understanding of the fundamental principles concerned in the determining the cost of labour, materials and overheads so as to accurately ascertain the cost price and selling price of goods and/or services

Within the qualification, candidates have the opportunity to gain knowledge of the need for company's to prepare reports for management and to be able to understand the outcome of those reports. Candidates will also be able to calculate Gross Pay and Employer Wages Costs, and complete the necessary calculations associated with Stock Valuation and other material costs. Candidates will also be able to develop the skills necessary to prepare for the calculation of any variance from cost price to selling price and in usage and labour, and more complex calculations relating to Stock. Finally the candidate will be able to prepare analysis of the way the company is performing.

The qualification requires candidates to understand the terminology relating to the costs of materials, overheads and labour, and be able to record these in the Books and accounts of the business. Accuracy, integrity and security of data should always be uppermost in the candidates mind.

Candidates may use this qualification as the basis of further study of manual systems at level 4 of the National Occupational Standards, and use it as underpinning knowledge for the study of the IAB Level 3 Diploma in Accounting and Advanced Book-keeping and the Level 2 Certificate in Manual Payroll

To be awarded the full qualification, candidates are required to successfully demonstrate their competence by means of one external examination.

ASSESSMENT

All Learning Outcomes will be assessed through one, externally set and marked, three hour examination consisting of a series of five hand-written questions. The Tasks will build on the candidates' costing and management accounting knowledge and will assess the candidate's ability in relation to the Learning Outcomes. Candidates will be required to carry out the tasks accurately and in keeping with current accounting and costing concepts and practice
Candidates may sit the Examination on either the specific dates set and published by the IAB or on dates set by Centres on an 'On-demand' basis.

CERTIFICATION

All candidates who achieve a Pass grade will receive a formal Results Letter and may apply for a Unit Certificate. On successful completion of both Units at this Level the candidate may apply for the IAB Level 3 Diploma in Costing and Management Accounting.

IAB Level 3 – Diploma in Costing and Management Accounting

SINGLE UNIT (IAB CODE C3.1) – Cost and Management Accounting methods & analysis

Aim of the Unit

Upon the completion of study for this unit, it is intended that the candidate will be able to:

- Provide an overview of the purpose of Cost and Management Accounting and its links with the accounting system.
- Describe the principles of Ordering and Coding Materials and the relationships between Order Size and Unit Cost
- Calculate Closing Stock Values
- Explain and define the key Cost Classifications
- Calculate and Record the cost of Labour
- Process overheads using Allocation, Apportionment and Absorption techniques
- Explain and apply Cost-Volume-Profit Analysis
- Explain the use of Variances and calculate Price and Usage Variances for direct and indirect costs

Prior Knowledge and Skills Requirements:

There are no requirements for this unit.

Learning Outcome	Assessment Criteria
<p>1 Provide an overview of the purpose of Cost and Management Accounting and its links with the accounting system</p>	<p>Understand and define the terms Cost Accounting, Financial Accounting and Management Accounting.</p> <p>Understand the need for internal cost and management accounting information for both financial and non-financial managers.</p> <p>Understand and explain why organisations need, and the relationship between:</p> <ul style="list-style-type: none"> • An Accounting system • A Costing system <p>Understand what is meant by, and be able to apply :</p> <ul style="list-style-type: none"> • Job costing system • Batch costing system • Contract costing • Process costing <p>Be able to prepare:</p> <ul style="list-style-type: none"> • basic accounting entries for an integrated accounting system • A Manufacturing Account from a given Trial Balance following the calculation of the adjustments. <p>Be able to prepare estimates taking variations in capacity and future costs into account</p> <p>Be able analyse the major factors affecting costs using appropriate accounting techniques including:</p> <ul style="list-style-type: none"> • Short and long term decisions • Break even analysis • Profit targets • Profit volume ratio • Limiting factors • Payback and discounted cash flow methods <p>Be able to draw conclusions from analysis, stating any assumptions that have been made, and prepare reports according to organisational procedures.</p>

<p>2 Describe the principles of Ordering and Coding Materials and their relationships between Order Size and Unit Cost</p>	<p>Understand and explain the principles relating to the ordering and coding of Materials</p> <p>Understand and explain the relationship between Order Size and Unit Cost.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Recognise various Cost Centres and code materials accordingly • Use the organisations Coding structure and apply to all relevant Invoices and other forms of Expenditure accordingly. • Extract information from various sources providing comparisons on the cost of materials <p>Be able to calculate the implications of various Order Sizes</p> <p>Be able to calculate and apply:</p> <ul style="list-style-type: none"> • Direct Material costs, such as Raw Materials • Indirect Material costs
<p>3 Calculate Closing Stock Values</p>	<p>Understand the need to value stock and record its valuation in the accounts of the business .</p> <p>Be able to value stock using the following valuation methods:</p> <ul style="list-style-type: none"> • First in first out (FIFO) • Last in first out (LIFO) • Average cost out (AVCO) – cumulated weighted average • Adjusted selling price <p>Be able to:</p> <ul style="list-style-type: none"> • Prepare the Journal entry necessary to account for closing stock • Record closing stock in the Stock Account • Recognise the effect of different stock valuations on the gross profit of the business.
<p>4 Explain and define the key Cost Classifications</p>	<p>Understand, identify and define what is meant by the following:</p> <ul style="list-style-type: none"> • Materials, Labour and Overhead costs • Direct and indirect costs • Fixed, Variable and Semi-variable costs • Marginal Costs <p>Be able to analyse and record in accordance with organisational procedures:</p> <ul style="list-style-type: none"> • Direct costs relating to Materials, Labour and Overheads • Indirect costs relating to Materials, Labour and Overheads • Fixed, Variable and Semi-variable costs • Marginal costs
<p>5 Calculate and Record the cost of Labour</p>	<p>Understand the need to calculate the cost of Labour and the various constituents of Gross Pay.</p> <p>Be able to calculate the cost of labour using the following</p> <ul style="list-style-type: none"> • Basic hourly rates • Salaries • Overtime from information on timesheets or clock/swipe cards/ dockets • Shift pay, stand-by payments and unsocial hours payments. • Commission and bonuses • Performance related pay • Piece Rates <p>Be able to calculate and apply:</p> <ul style="list-style-type: none"> • Direct Labour costs • Indirect Labour costs <p>Understand and explain the relationship between the cost of labour and the payroll accounting system</p> <p>Be able to code and record various labour costs in the accounting records of the business.</p>

<p>6 Process Overheads using Allocation, Apportionment and Absorption techniques</p>	<p>Understand the bases of Absorption</p> <p>Be able to distinguish between Absorption and Marginal Costing</p> <p>Understand the bases of allocating and apportioning overheads to relevant Cost Centres</p> <p>Be able to calculate:</p> <ul style="list-style-type: none"> • The effect of Absorption and Marginal Costing on Stock Valuation and Profit. • Overhead Absorption rates in within the agreed base of Absorption e.g Labour Hour method or Machine Hour method • Adjustments for under and over recovered overhead costs in accordance with organisational procedures • Product costs under Absorption and Marginal Costing. • Overhead costs according to allocation and attributed to cost centres and codes, and agreed bases of Allocation and Apportionment e.g Direct Method, Step-down method <p>Be able to undertake a review of the rates of Allocation, Apportionment and Absorption with other members of staff and within organisational procedures</p>
<p>7 Explain and apply Cost-Volume - Profit analysis</p>	<p>Understand the importance of the Concept of Contribution</p> <p>Be able to apply the Concept of Contribution</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Compile a Break-Even Chart to show the Break-Even point • Interpret a Break-Even Chart <p>Be able to apply CVP Analysis to profit, Pricing and Costing situations for a single product using Contributions to Sales Ratio and a Break-Even calculations</p>
<p>8 Explain the use of Variances and calculate Price and Usage Variances for direct and indirect costs</p>	<p>Understand and explain how Variances from Standards can be analysed in terms of Price and Volume (usage).</p> <p>Be able to calculate and interpret Price and Usage Variances for:</p> <ul style="list-style-type: none"> • Labour • Materials • Overheads

UNIT ASSESSMENT

Candidates may sit the Examination of this Unit on either the specific dates set and published by the IAB or on dates set by Centres on an 'On-demand' basis.