

1.0	SUBJECT CODE AND NAME:	B05: PERFORMANCE MANAGEMENT
2.0	LEVEL:	INTERMEDIATE LEVEL
3.0	PRE-REQUISITE SUBJECT:	A04: COST ACCOUNTING
4.0	CONTACT HOURS:	120

5.0 SUBJECT DESCRIPTION

The subject equips students with knowledge, understanding and skills to provide information to support management decisions in operational and strategic contexts. Students are expected to be capable of analysing financial and non-financial data and information to support management decisions within organizations making across sectors.

6.0 PRINCIPAL LEARNING OUTCOME

Apply knowledge and skills of financial and non-financial data analysis in providing information to support management decision-making, performance evaluation, and control.

7.0 INDICATIVE CONTENT AND SUPPORTING LEARNING OUTCOMES

7.1 Cost Accounting Techniques

7.1.1 Cost Classification and Estimation

Learners will be able to:

- (a) Classify costs, by nature, function, traceability to products, relevance for decision making, cost behaviour, and accounting treatment.
- (b) Estimate costs by using both linear and non-linear methods, including: High-low method, Regression analysis, accounting analysis, and Learning Curve.

7.1.2 Income effects of alternative cost accumulation systems

Learners will be able to:

- (a) Illustrate the overhead costs allocation and apportionment.
- (b) Describe the nature of marginal costing and absorption costing.

- (c) Distinguish between marginal costing and absorption costing.
- (d) Prepare profits statements based on marginal /variable costing and absorption costing system.
- (e) Explain and use the difference between marginal and absorption costing and reconcile profits calculate based on two costing methods.
- (f) Explain and use the arguments for and against marginal and absorption costing.

7.1.3 Activity Based Costing (ABC) Learners will be able to:

- (a) Describe key stages involved in designing Activity Based Costing (ABC) System.
- (b) Identify appropriate cost drivers under Activity Based Costing.
- (c) Calculate costs per driver using the Activity Based Costing.
- (d) Compare ABC and traditional methods of overhead absorption based on production units, labour hours or machine hours.
- (e) Explain and use the applicability of ABC system in service industry.

7.1.4 Target Costing

Learners will be able to:

- (a) Derive a target cost in manufacturing and service industries.
- (b) Demonstrate the difficulties of using target costing in service industries.
- (c) Propose how a target cost gap might be closed.

7.1.5 Back flush or Delayed Costing

Learners will be able to:

- (a) Describe the concept of back flush costing.
- (b) Explain the features of back flush costing system.
- (c) Discuss circumstances under which the application of back flush costing system is relevant.

- (d) Determine cost of a product or service using backflush costing method.
- (e) Prepare ledger accounts for backflush costing (Trigger points 1, 2 & 3).

7.1.6 Life-Cycle Costing (LCC)

Learners will be able to:

- (a) Identify the costs involved at different stages of the life-cycle.
- (b) Derive a life cycle costs in manufacturing and service industries.
- (c) Identify and describe the benefits of life cycle costing.

7.2 Decisions-Making Techniques

7.2.1 Relevant information for Decision making

Learners will be able to:

- (a) Demonstrate understanding of relevant costs and relevant revenue.
- (b) Differentiate between relevant costs and irrelevant costs.
- (c) Evaluate the importance of qualitative factors in decision making.
- (d) Identify characteristics of the relevant information.
- (e) Identify and calculate relevant costs for a specific situation from given data.

7.2.2 Decisions making under environment of certainty

Learners will be able to:

- (a) Identify limiting factors in a scarce resource situation and select appropriate techniques.
- (b) Determine the optimal production plan where an organization is restricted by a single limiting factor.
- (c) Formulate, solve and interpret multiple scarce resource problem both graphically and using simultaneous equation.
- (d) Interpret the final simplex table.

- (e) Evaluate factors affecting the make vs. buy and outsourcing.
- (f) Calculate and compare make costs versus buy in costs and make appropriate decision.
- (g) Make financial analysis and decide whether to replace an old equipment
- (h) Identify and use costs relevant for shut down and shut down point.
- (i) Apply relevant costing principles in situations involving shut down and extra shifts.
- (j) Calculate incremental costs of processing product further and make appropriate decision to process further or sell at a split off point.
- (k) Prepare an analysis showing whether a special order should be accepted.
- (l) Compute the financial impact of product/ operation shut down, and make appropriate decision.

7.2.3 Cost Volume Profit Analysis

Learners will be able to:

- (a) Explain the nature and application of Cost-Volume-Profit (CVP) analysis.
- (b) Evaluate assumptions of CVP analysis.
- (c) Calculate the contribution margin ratio (P/V) in single and multi-product situations and demonstrate an understanding of its use.
- (d) Compute the Breakeven Point (BEP) for a single product and a multiple product company.
- (e) Calculate the level of sales needed to achieve a desired target profit.
- (f) Compute the margin of safety and explain its significance.
- (g) Prepare and interpret cost-volume-profit (CVP) graphs.
- (h) Compute the degree of operating leverage at a particular level of sales and explain how the degree of

operating leverage can be used to predict changes in net operating income.

- (i) Describe and use the differences between the accountant's and economist's model of CVP analysis.
- (j) Illustrate limitations of CVP analysis for planning and decision making.

7.2.4 Throughput Accounting

Learners will be able to:

- (a) Calculate and interpret a throughput accounting ratio (TPAR).
- (b) Propose how a TPAR could be improved.
- (c) Apply throughput accounting to a multi- product decision- making problem.

7.2.5 Pricing Decision

Learners will be able to:

- (a) demonstrate understanding of pricing policy, pricing objectives, and pricing strategies.
- (b) Evaluate factors that influence pricing of a product or service.
- (c) Calculate the selling price using cost-plus pricing methods.
- (d) Evaluate different cost-plus pricing methods for deriving selling prices.
- (e) Evaluate limitations of various cost-plus pricing methods.
- (f) Illustrate the role that target costing play in the pricing decision.
- (g) Illustrate the price elasticity of demand.
- (h) Formulate and interpret the demand function.
- (i) Evaluate how optimum output and selling price are determined using economic theory.
- (j) Calculate the optimum selling price and output for an organization using calculus.

7.2.6 Decision making under environment of uncertainty and risk

Learners will be able to:

- (a) Evaluate risk with probability distributions.
- (b) Evaluate the impact of uncertainty and risk on decision models.
- (c) Apply techniques of maximax, maximin, and minimax regret to decision-making problems including the production of profit tables.
- (d) Analyse risk and uncertainty by calculating expected values and standard deviations together with probability tables.
- (e) Calculate expected values and ascertain the value of information.
- (f) Prepare decision trees and use it to solve a multi-stage decision problem.

7.3 Budgetary Planning and Control

7.3.1 Budgeting and budgetary Process

Learners will be able to:

- (a) Demonstrate understanding of the concept of budget and budgetary process.
- (b) Explain objectives of, and use of budget in an organization.
- (c) Discuss the budgetary process in Public Sector Organization (PSO), Ministries, Departments and Government Agencies (MDA).
- (d) Illustrate how corporate and divisional objectives may differ and can be reconciled.
- (e) Resolve conflicting objectives and explain its implications.

7.3.2 Types of Budgets

Learners will be able to:

- (a) Identify the usefulness and problems with different types (functional, master, flexible, zero-base, activity-based and incremental).

- (b) Prepare functional budgets and master budgets.
- (c) Evaluate the difficulties of changing the type of budget used.

7.3.3 Budgetary Control System

Learners will be able to:

- (a) Demonstrate understanding of the concept of responsibility accounting, its objectives and pre-requisites for its implementation.
- (b) Distinguish between controllable and uncontrollable costs.
- (c) Evaluate the nature and objectives of budgetary control system.
- (d) Illustrate the functions of budgetary control system.
- (e) Illustrate how budgetary control systems fit within the performance hierarchy.
- (f) Select, explain and use appropriate budgetary systems for an organization, including top- down, bottom-up, rolling, zero- base, activity- base, incremental and feed-forward control.
- (g) Evaluate the information used in budget systems and the sources of the information needed.
- (h) Illustrate how budget systems can deal with uncertainty environment.

7.3.4 Behavioural Aspects of budgeting

Learners will be able to:

- (a) Identify and use the factors which influence behaviour.
- (b) Evaluate the issues surrounding setting the difficulty level for a budget.
- (c) Evaluate the benefits and difficulties of participation of employees in the negotiation of budgets.

7.4 Standard Costing and Variance Analysis

7.4.1 Introduction to standard costing, basic variances and operating statements

Learners will be able to:

- (a) Evaluate different types of standards (ideal, basic, attainable, current)
- (b) Prepare Standard cost card.
- (c) Calculate and identify causes of basic variances including:
 - Materials total, price and usage.
 - Labour total, rate and efficiency.
 - Variable overhead total, expenditure and efficiency.
 - Fixed overhead total, expenditure and, where appropriate, volume, capacity and efficiency.
 - Sales price and volume.
- (d) Produce full operating statements in both marginal cost and full absorption costing environment, reconciling actual profit to budgeted profit.
- (e) Calculate the effect of idle time and waste on variances including where idle time has been budgeted for.
- (f) Calculate, using a simple situation, the ABC-based variances.
- (g) Illustrate different methods available for deciding whether or not to investigate a variance causes.

7.4.2 Material mix and yield variances

Learners will be able to:

- (a) Calculate, identify the cause of, and explain material mix and yield variances.
- (b) Explain wider issues involved in changing material mix such as cost, quality and performance measurement issues.
- (c) Explain the relationship between material price variance, material mix and yield variances.

7.4.3. Sales mix and Quantity variances

Learners will be able to:

- (a) Calculate, identify the cause of, and explain sales mix and quantity variances.
- (b) Identify and explain the relationship between sales volume variances, sales mix variance and quantity variances.

7.4.4 Planning and operational variances

Learners will be able to:

- (a) Calculate a revised budget.
- (b) Explain factors that could and could not lead to revise an original budget.
- (c) Calculate planning and operational variances for sales, materials, labour and overheads.
- (d) Evaluate the dysfunctional nature of some variances in the modern environment of Just in Time (JIT) and Total Quality Management (TQM).
- (e) Assess the effect that variances have on staff motivation and action.

7.5 Performance Measurement and Control

7.5.1 The scope of performance measurement

Learners will be able to:

- (a) Demonstrate understanding of the concept of performance measurement in business and Not -for Profit Organizations.
- (b) Discuss the role of, and use strategic plan, operational plan and budget in performance measurement.
- (c) Evaluate external factors or considerations that influence performance of an organization.
- (d) Explain the causes and problems created by short-termism and financial manipulation of results by the organization and suggest ways to encourage long-term view of financial performance.

7.5.2 Performance Measurement and Analysis in Business Sector, Service Sector and Not for Profit Institutions

Learners will be able to:

- (a) Describe, and calculate suitable financial performance indicators and interpret the results.
- (b) Describe the suitable non-financial performance indicators.
- (c) Apply Balanced Scorecard and Building Block Model to evaluate performance of an organization and interpret the results.
- (d) Apply Value for Money (VfM) technique for measurement of performance in public sector organizations.
- (e) Select and explain stakeholder-based measures of performance that may be used to evaluate social or environmental performance of a business.

7.5.3 Divisional Performance Measurement and Transfer Pricing

Learners will be able to:

- (a) Describe and illustrate the basis for setting a transfer price, including; variable cost, full cost, market-based approach, negotiated approach and the principles behind allowing for intermediate markets.
- (b) Illustrate how transfer prices can distort the performance assessment of divisions and the decisions made.
- (c) Discuss benefits and shortcoming of, and use the Return on Investment (ROI), Residual Income (RI), Economic Value Added (EVA) and Shareholder Value Added (SVA) measures of performance.
- (d) Calculate and interpret Return on Investment (ROI), Residual Income (RI), Economic Value Added (EVA) and Shareholder Value Added (SVA).
- (e) Describe the nature of, and calculate the productivity measures.

7.5.4 Performance Management Systems

Learners will be able to:

- (a) Discuss the role of, and use Information Communication Technology (ICT) and Digitization in performance management.
- (b) Evaluate and recommend on suitable ICT systems which can facilitate effective performance management in organizations.
- (c) Evaluate and advise management on suitable approaches that may be used to manage people issues when implementing a performance management system.

8.0 LEARNING CONTEXT:

- a. Interactive Lectures.
- b. Classroom Discussions.
- c. Case studies.
- d. Individual assignments and Group works.
- e. Going through online resources.

9.0 RECOMMENDED LEARNING MATERIALS

NBAA, (2023). Performance Management Study text. NBAA. Dar-es-Salaam, Tanzania.

10.0 OTHER RECOMMENDED LEARNING MATERIALS

Bhimani, A., Horngren, C. T., Datar, S. M., & Foster, G. (2007). Management and Cost Accounting, 4th Edition.

Drury, C. (2018). Cost and Management and Cost Accounting, London: International Thomson Business Press.

Horngren, C., (2012). Cost Accounting: A Managerial Emphasis. Englewood Cliffs: Prentice-Hall.

Kaplan R. S and A. A. Norton, (2013). Advanced Management Accounting, London: Prentice-Hall.

Saxena, V. K. and Saxena, C. D. (2004). Advanced Cost and Management Accounting, 17th ed.

T. Lucey. (2003). Costing. London: D.P. Publication.