



**Accounting Module  
- Cost Accounting  
(estimated lesson time: 44 hours)**

# Cost Classification, Concepts and Terminology (9 hours)

- Differences between financial accounting and cost accounting
  - different users and purposes
- General nature of cost accounting (L1: Explain/Appreciate)
  - forward-looking, forecast planning

# Cost Classification, Concepts and Terminology (cont'd)

## ○ Cost assignment (L3: Distinguish)

- fixed and variable costs
- direct and indirect costs
  - factory and administrative overheads

# Job Costing (8 hours)

- Job costing system for manufacturing operation (L2: Explain)
- Methods for calculating the cost of materials
  - First-in first-out
  - Last-in first-out
  - Average cost

# Job Costing (cont'd)

○ Allocation and apportionment of costs to a single job or product

(L4: Illustrate)

- Materials
- Labour
- Overheads

# Marginal and Absorption Costing

## (16 hours)

- Differences between absorption costing and marginal costing of the following areas
  - Definition
  - Treatments for fixed manufacturing overheads
  - Values of finished goods
  - Reported profits

# Marginal and Absorption Costing (cont'd)

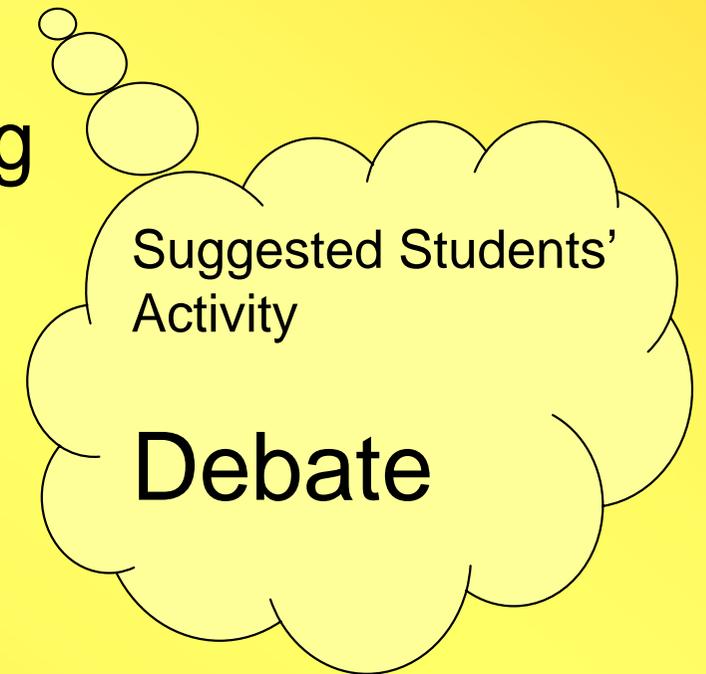
- With the use of absorption costing and marginal costing, prepare (L3: Compare)
  - Manufacturing accounts
  - Income statements

# Marginal and Absorption Costing (cont'd)

- Advantages and disadvantages of marginal and absorption costing

(L3: Compare)

- Information for decision-making
- Profit reflection
- Treatment of fixed overhead



# Cost Accounting for Decision-making (11 hours)

- Cost items concept related to decision making (L3: Identify)
  - Sunk costs
  - Incremental costs
  - Opportunity costs

# Cost Accounting for Decision-making (cont'd)

- **Application** of costing concepts and techniques in decision-making (L2: Apply)
  - Hire, make or buy
  - Accept or reject an order at a special price
  - Retain or replace equipment
  - Sell or process further
  - Eliminate or retain an unprofitable segment

# Cost Accounting for Decision-making (cont'd)

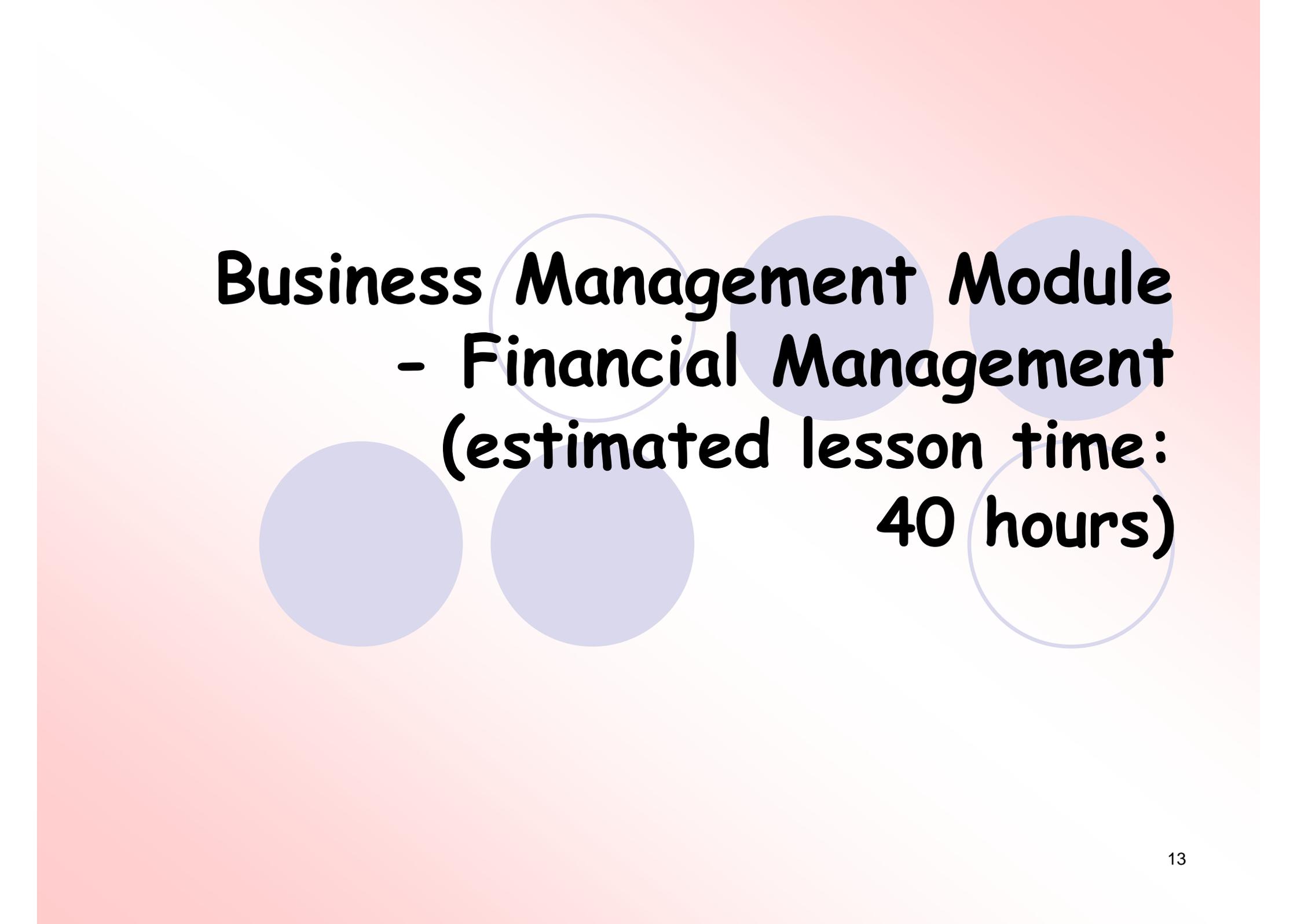
- Cost-Volume-Profit Analysis (L3: Conduct)
  - Functions
    - show relationship between volume, revenue, costs and profit
  - Calculation of breakeven point and margin of safety

# Cost Accounting for Decision-making (cont'd)

- Assessing the effects of changes in costs, selling price and units sold on

(L4: Assess)

- breakeven point and
- target profit



**Business Management Module**  
**- Financial Management**  
**(estimated lesson time:**  
**40 hours)**

# Financial Analysis (6 hours)

- Role of financial management  
(L1: Explain)
  - Obtain and manage funds
  - Make investment decision
  - Manage risks

# Financial Analysis (Cont'd)

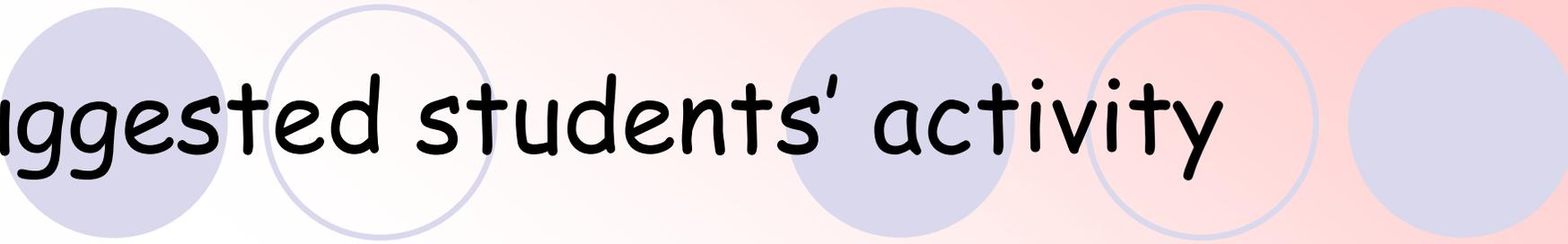
- Functions of financial analysis
  - evaluate the financial position of the business
  - provide information for planning, control and making decisions

# Financial Analysis (Cont'd)

## ○ Ratio analysis of a business

(L4: Assess)

- Profitability (e.g. GP ratio, ROCE, ...)
- Liquidity (e.g. A/Cs receivable/payable turnover, ...)
- Solvency (e.g. gearing, ...)
- Management efficiency (e.g. inventory turnover, total assets turnover, ...)

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Suggested students' activity

The Use of Annual Report

# Budgeting (7 hours)

- Purposes (L1: Explain)
  - Resources allocation
  - Planning and controlling
- Natures and types
  - cash budget, sales budget, production budget and expenditure budget

# Budgeting (Cont'd)

- **Usefulness** (help to meet the goals & to develop financial plan) and **limitations** (assumption, uncertainties)  
(L1: Describe)
- **Factors** leading to budgeting variance  
(L1: Identify)
- **Remedial actions** (L4: Propose)

# Sources of Financing (4 hours)

- Different Sources of Financing (L3: Compare)



- Debt and equity financing
- Short-term (e.g. trade credit, bank loan, ...) and long-term (e.g. mortgage, debentures, ...) financing
- Internal and external financing

# Sources of Financing (Cont'd)

- Principles for selecting financing method  
(L2: Apply)
  - Meet the company objectives
  - Factors (amount of capital, cost, terms, risk, gearing, tax, capital structure)

# Capital Investment Appraisal (7 hours)

- **Factors** affecting capital investment decisions (L4: Evaluate)
  - **Financial** factors
    - interest rate, investment period, amount of capital
  - **Non-financial** factors
    - performance, legal and ethical issue

# Capital Investment Appraisal (Cont'd)

- Evaluation of capital projects through the application of the following basic methods (L2: Apply, L4: Evaluate)
  - Payback period
  - Net present value (NPV)
  - Internal rate of return (IRR)
  - Accounting rate of return (ARR)

# Capital Investment Appraisal (Cont'd)

○ Usefulness and limitations of different capital investment techniques

(L3: Compare)

e.g. in the aspects of

- time value of money
- scale
- calculation method
- simplicity of calculation

# Working Capital Management (10 hours)

- Importance of working capital management  
(L1: Explain)
  - cash management, control of current assets and current liabilities

# Working Capital Management (Cont'd)

- Basic principles of cash management & the relevance of cash budgeting

(L1: Describe)

e.g.

- Ensuring the cash is used to meet the goals
- Policy to encounter cash flow problem arising from surplus cash or unexpected cash deficiencies

# Working Capital Management (Cont'd)

- **Factors** affecting formulation of accounts receivable and accounts payable policies

(L4: Analyse)

- e.g. credit amount, creditworthiness, discount on early settlement

# Working Capital Management (Cont'd)

- Inventory management
  - Objectives (L1: Explain)
    - e.g. minimise the costs of obtaining stock, carrying costs and stock-out costs
  - Simple inventory control techniques (L2: Apply)
    - Economic Order Quantity (EOQ) and re-order level methods

# Risk Management (6 hours)

- Importance (L1: Appreciate)
- Types of risks on business (L1: Identify)
  - speculative risk, pure risk
- Impacts of risks on business activities (L4: Analyse)
  - loss of profit, damage to property, personnel loss and liability loss

# Risk Management (Cont'd)

- Insurance protection to business  
(L2: Demonstrate an understanding)
  - Basic insurance principles
    - risk transferable
    - law of large number
  - Types of insurance
    - life, property, liability, marine, medical and credit insurance

# Risk Management (Cont'd)

- Risk management strategies  
(L1: Explain)
  - Risk avoidance
  - Risk assumption
  - Risk reduction
  - Risk transfer