

# ACCA Diploma in Financial and Management Accounting (RQF Level 2)

MA1

---

## **Management Information**

---

STUDY TEXT

# CONTENTS

	Page
Introduction	P.5
Syllabus and study guide	P.7
The examination	P.11
Study skills and revision guidance	P.13

Chapter		Page
1	Business organisation	1
2	Introduction to management information	23
3	Classification of costs and cost behaviour	37
4	Coding of costs and income	49
5	Materials cost	61
6	Labour costs	83
7	Expenses and absorption of overheads	105
8	Marginal costing and absorption costing	129
9	Job, batch and process costing	139
10	Performance indicators	151
11	Spreadsheets	165
	Answers to chapter activities and exam-style questions	219
	Index	243

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to [mykaplanreporting@kaplan.com](mailto:mykaplanreporting@kaplan.com) with full details.

Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

# Chapter 1

## **BUSINESS ORGANISATION**

**This chapter covers the organisation and main functions of an office. The chapter sets the scene for the context in which all of the operations and procedures that you will learn about in this text will take place. Later in the text you will learn more about some of the aspects mentioned in this chapter, such as materials documentation and wages analysis. The chapter covers syllabus areas A1(a) – (f)**

---

### **CONTENTS**

- 1 The main functions of an office as a centre for information and administration
  - 2 Organisational information
  - 3 Computerised accounting systems
  - 4 Double-entry bookkeeping
- 

### **LEARNING OUTCOMES**

On completion of this chapter the learner should be able to:

- Describe the organisation, and main functions, of an office as a centre for information and administration.
  - Describe the function and use of policies, procedures and best practices.
  - Identify the main types of transactions undertaken by a business and the key people involved in initiating, processing and completing transactions.
  - Explain the need for effective control over transactions.
  - Explain and illustrate the principles and practice of double-entry book-keeping.
  - Identify the key features, functions and benefits of a computerised accounting system.
-

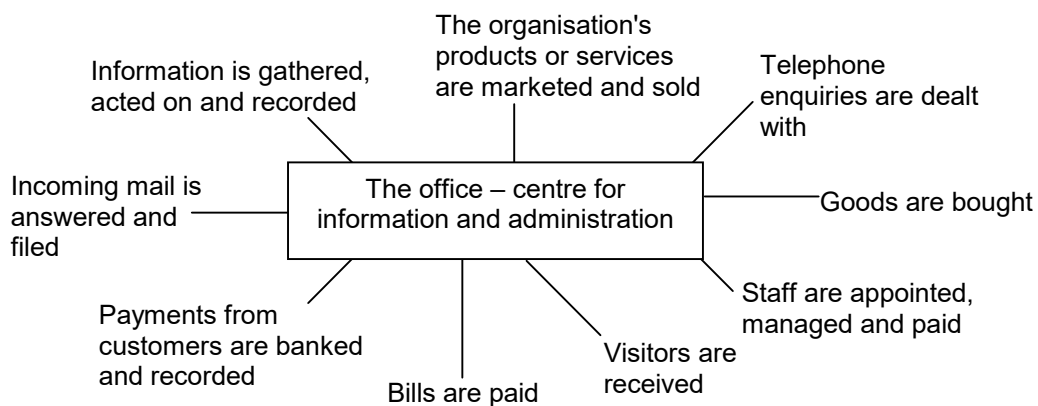
# 1 THE MAIN FUNCTIONS OF AN OFFICE AS A CENTRE FOR INFORMATION AND ADMINISTRATION

## 1.1 INTRODUCTION

Every enterprise needs an office, or an area of a room designated to keeping the papers and records, because they will be involved at some point in administration. Obviously, offices vary in nature and type. In manufacturing enterprises, the office supports the organisation in its main task of production, whereas in commercial organisations such as banking, legal and local government, offices are concerned with supporting services rather than production.

## 1.2 THE FUNCTIONS OF AN OFFICE

Individual organisations all have their own procedures, rules and systems but the same type of work is done in all of them. The following diagram gives you an overview of the activities:



The office supports commerce, industry and public services by recording and providing information. Information is dealt with by an office in a variety of ways:

- (a) providing information to other organisations. This can be in different formats including price lists, quotations and financial information
- (b) receiving and processing information from other organisations
- (c) keeping records of payments made and received, wages paid to employees and debts owed by and to the organisation
- (d) providing information for internal use e.g. facts and figures for control purposes
- (e) maintaining records for future reference.

### 1.3 OFFICE ACTIVITIES

The activities include:

- (a) purchasing e.g. raw materials for production, services such as electricity, items of equipment
- (b) sales – this includes promoting the organisation's products or services by advertising, arranging distribution to customers, maintaining customer records, market research on customer requirements
- (c) control – activities which include: effective inventory control to prevent loss of production; accurate record keeping to control costs and finances; checking information and records for accuracy; and providing financial and statistical information through the use of computers
- (d) processing information to and from the organisation, both written and spoken
- (e) storing papers and documents safely using an efficient filing system
- (f) presenting information by duplicating, copying, typing, word processing, charting, taping and producing various graphical and electronic formats.
- (g) finance roles, such as receiving payments from customers
- (h) human resource roles, such as paying staff.

### 1.4 ADMINISTRATIVE ASSISTANTS OR CLERICAL WORKERS

Their job is to:

- record information by inputting data into systems
- arrange information by sorting and filing
- supply and communicate information by passing it on to relevant personnel
- keep accounts by checking the accuracy of all information that needs to be recorded within the organisation.

**Conclusion** The prime purpose of an office is to collect and process relevant information, which is subsequently stored or despatched to appropriate persons. Typical office activities include issuing invoices, handling purchases, dealing with customers' orders, preparing accounts and statistics, processing the payroll and other routine activities.

### 1.5 THE ADVANTAGES AND DISADVANTAGES OF CENTRALISED AND DECENTRALISED OFFICE FUNCTIONS

#### Centralisation

The challenge of a centralised office system is to make it responsive to the whole organisation. A centralised office is one where all the office procedures are done at a central point within the organisation. Larger organisations are far more likely to centralise their office services than small ones. A central general office means that a specialist section will be responsible for the provision of clerical services throughout the enterprise.

The person responsible for the management of this department will be responsible for:

- (a) advising and assisting departmental managers in the planning of clerical activities, including equipment, methods of work, supplies, personnel required and layout of office accommodation
- (b) maintaining the general office services such as mail delivery and collection, telephone and post services, central filing activities, typing pool, duplicating section and stationery storage
- (c) reviewing office machinery and equipment with a view to its maintenance and replacement.

As far as office work is concerned, centralisation is desirable for the following reasons:

- Systems and procedures are standardised throughout the organisation, facilitating control.
- Specialised staff can be employed and trained.
- Expensive machinery and equipment can be purchased and used economically.
- There is less likelihood of a backlog of work during busy periods.
- Consultation and communication are easier and personal contact is possible.
- It is usually more economical in terms of space and cost.

The disadvantages of centralisation include:

- Office systems that suit one department may not suit another.
- There is less scope for job enrichment and the lack of variety may mean that staff become bored.
- Rigid procedures may cause difficulties in coping with emergency jobs.
- There may be an increase in paperwork and form filling.

### **Decentralisation**

A decentralised system is one where each department or operating division would have their own office, with all of them working, to some extent, independently of each other. Obviously, the greater the geographical distance from the centre, the greater the necessity for a decentralised office.

The benefits of decentralisation of office work include:

- (a) clerical work is better done near to the practical work to which it relates, since clerks are more likely to understand the implications of the processing that they complete and are more likely to spot errors and obtain answers more easily
- (b) better service is given to department management
- (c) where promptness is essential e.g. for use on the telephone, department filing of documents is best.



You are viewing a sample

**Interested in the full version?**