

Unit Description

SME Management Accounting and Financial Controls

Level 5 – 5MA

Valid from December 2015 exams

Unit title	SME Management Accounting and Financial Controls	
Unit aim	The aim of this unit is to develop the financial management skills of those who manage or seek to provide information for performance management, continuous improvement, budgetary and financial control and the management of internal risk in small and medium enterprises (SMEs) and small and medium practices (SMPs). Learners will be able to use analytical tools to evaluate performance and to make recommendations about continuous improvement in an organisation. They will also be able to use techniques to implement budgetary and financial control and evaluate, and manage internal risk.	
Level	5	
Total Qualification Time	150	
Guided Learning Hours	0	
IFA Code	5MA	
In IFA qualifications	IFA Level 5 Diploma for SME Financial Managers	
Learning outcomes The learner will...	Assessment criteria The learner can...	Underpinning knowledge
Evaluate actual business performance and quality improvement against set targets for an SME	1.1 Evaluate actual business performance against business targets. 1.2 Assess continuous quality improvement techniques. 1.3 Evaluate cost reduction methods using value engineering, value analysis and life cycle costing methods. 1.4 Propose appropriate business performance improvements, with consideration of the external and internal factors that influence an SME.	Variance analysis; Target setting; Strategic management accounting practices, such as value engineering, value analysis and life cycle costing; Balanced scorecard; Understanding of cost drivers, cost functions and cost behaviours

<p>Prepare budgets for an SME</p>	<p>2.1 Prepare sensitivity analysis and flexible budgets.</p> <p>2.2 Apply budgetary techniques and use incremental budgeting, activity based budgeting and zero based budgeting.</p> <p>2.3 Assess the limiting factors affecting budgets.</p>	<p>Budgeting process; Functions and administration of budgets; sales/production budgets; sensitivity analysis; flexible budgets; incremental budgeting, activity based budgeting, zero-based budgeting; limits to budgeting</p>
<p>Understand the main causes of costs and sales variances for an SME</p>	<p>3.1 Analyse the main elements of costs in standard costing.</p> <p>3.2 Using costs and sales variances, propose appropriate improvement plans to address issues.</p> <p>3.3 Reconcile actual contribution or profit to budgeted contribution or profit.</p>	<p>Operation of a standard costing system; Variance analysis, including the ability to suggest improvements; How standards are set; Reconciliation of budgeted profit to actual profit (or contribution); Absorption costing; analysis of variances and reconciliation of budgeted and actual profit.</p>
<p>Understand and assess the relationship between appropriate financial controls and risk management processes in an SME</p>	<p>4.1 Analyse the impact of a financial control environment on the effective functioning of an organization.</p> <p>4.2 Discuss the role of the internal control function in an SME and make recommendations for its improvement in the management of risk.</p>	<p>Different kinds of controls, e.g. behavioural, social and output controls, feedback and feed forward controls; Advantages and disadvantages of controls; Understanding of key business risks; people risks, process risks. Role of internal control function; how controls help to management risk.</p>

Recommended reading

Please note that where more than one book is detailed against a learning outcome any of the titles are suitable. It is not necessary to purchase each title listed against a learning outcome.

Learning outcome	Book name and author	Edition	Relevant chapters
Evaluate actual business performance and quality improvement against set targets for an SME	Business accounting & finance, Tony Davies & Ian Crawford	Latest edition	Ch 10
	Management & cost accounting, Colin Drury	Latest edition	Chs 22,23
	Management accounting for decision makers, Peter Atrill and Eddie McLaney	Latest edition	
Prepare budgets for an SME	Business accounting & finance, Tony Davies & Ian Crawford	Latest edition	Ch 11, 12, 13
	Management & cost accounting, Colin Drury	Latest edition	Ch 15
	Management accounting for decision makers, Peter Attrill and Eddie McLaney	Latest edition	Ch 6
Understand the main causes of costs and sales variances for an SME	Management & cost accounting, Colin Drury	Latest edition	Ch 17, 18
	Management accounting for decision makers, Peter Atrill and Eddie McLaney	Latest edition	Ch 7
Understand and assess the relationship between appropriate financial controls and risk management processes in an SME	Management & cost accounting, Colin Drury	Latest edition	Ch 16
	Auditing and Assurance Services, Alvin Arens, Randal Elder, Mark Beasley	Latest edition	Ch 14-23