

Course 8501: Empowering the Management Accountant to be a Trusted Business Advisor (3 days)

Course introduction

Are you stuck in the back office counting the beans, rather than spending your time working in partnership with the senior business team? If you just answered yes to that question then this course is for you.

The traditional role of the accountant as the bean counter is no longer appropriate in the 21st Century business world. Instead you must assume the roles of trusted business advisor and enabler of your company's strategies and plans. Taking on the craft of growing beans rather than counting them means you need a whole set of skills and tools you were never given to pass your accountancy exams, but are vital to a role as part of senior leadership.

Ultimately as a finance director or CFO you will need to work closely with the COO and the other C-Suite directors. This wide-ranging three-day overview is designed to provide you with a comprehensive view of the latest tools and techniques you can use to give meaningful financial support to the rest of your business' leadership team. It can help you break through the glass ceiling that stops you being the trusted business advisor to the senior team in your business.

This course answers questions such as:

- ◆ How can management accounting information be used to help management craft a successful business strategy?
- ◆ How can the finance professional impact sales and marketing strategy?
- ◆ How can management accounting information be used to enhance the quality of pricing, investment, process improvement, sourcing, and other critical management decisions?
- ◆ How can a group of performance measures be selected and assembled that will direct employees toward the implementation of management's strategy?
- ◆ How can an organization insure that its cost model represents the fundamental economics that underlie its business?
- ◆ Why is the ability to predict costs just as important as the ability to assign them?
- ◆ What should be management accountants' objective; accuracy and relevance or precision?
- ◆ What are the key component parts of an effective management accounting process?
- ◆ What kind of modifications must be made to costs recorded under financial accounting standards to make

them more representative of the true, long-term, sustainable economics of the organization?

Management accounting is much more than just costing, budgeting, scheduling, forecasting, or performance measurement practices. It is a process that requires partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy. Items from the clutter of popular concepts and tools may have a role in that process, but the overall process is much more than accurate costing and sophisticated scorecards.

Optional two-day activity based costing workshop

Do you know who your most profitable customers are? Do you know the true cost of each of your products? Does your pricing reflect the full cost of serving the customer? What drives cost and profitability in your business?

This information is vital, especially as you build your business and marketing strategy, but rarely available. The problem is that the information from your accounting systems is designed for external reporting and to meet tax requirements. There's a big difference between accounting information and the true economics of the business. Activity based costing fills this gap.

In the workshop we will build on concepts introduced in the main course and give you practical tools and techniques to:

- ◆ Determine the true profitability of each of your customers
- ◆ Segment customers and markets
- ◆ Understand the true costs of your products and services
- ◆ Make better pricing decisions
- ◆ Eliminate costly and non-value adding activities
- ◆ Effectively challenge your operating costs

The workshop effectively combines this course with our popular three day "Practical approach to activity based costing" to make a single 5-day course.

During this workshop, you will:

- ◆ Use the cause-and-effect "lens" of activity-based costing to design a cost model that accurately reflects the fundamental economics that underlie your organisation
- ◆ Accumulate a "toolbox" of costing concepts, tools and techniques that will help to incorporate seemingly complex issues into your costing model with a minimum of difficulty
- ◆ Incorporate your cost model's design into an Excel-based predictive cost model that can be used to perform incremental cost analyses, measure the cost of key processes and develop rates that can be used to assign costs to individual jobs, products, services, customers, etc.

- ◆ Create Excel-based templates that will use your model's costing rates to accurately assign costs to your company's jobs, products, services, customers, markets, etc.
- ◆ Practice using your model to support a variety of management decisions
- ◆ Learn techniques for gathering your company's detailed information for populating your model and templates after your return home

Topics covered in the workshop include:

- ◆ Designing a cost model that fits your firm
 - ◆ Material support activities
 - ◆ Value-adding and other direct activities
 - ◆ Event and transaction activities
 - ◆ Customer/market support activities
 - ◆ Product/service line support activities
 - ◆ General and administrative activities
- ◆ The Excel-based cost model
 - ◆ Basic structure of the model
 - ◆ Populating your model with test data
 - ◆ Using the model to support decisions
 - ◆ Creating Excel-based job/product costing templates
 - ◆ Creating Excel-based customer costing templates
- ◆ Gathering your company's data to populate the model
 - ◆ Estimates vs. precise measurement
 - ◆ Using the general ledger to model reconciliation worksheet
 - ◆ Gathering cost driver data

Topics

- ◆ The issues that prevent the accountant being the trusted business advisor
 - ◆ The building blocks of effective management accounting
 - ◆ The planning and control framework
 - ◆ Using management accounting information to build business strategy
 - ◆ Implementing strategy through a performance management framework
 - ◆ Performance measures that encourage and track the implementation of strategy
 - ◆ Modelling product costs, customer profitability and customer value
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- ◆ Using accurate cost information based on economics and not just accounting convention
- ◆ Formal decision making systems that effectively use management accounting information to enhance the quality of decisions
- ◆ The planning and control framework
 - ◆ Traditional financial measures
 - ◆ Performance vs. financial budgets, standards and targets
 - ◆ Performance vs. non-financial budgets, standards and targets
 - ◆ Budgeting vs. rolling forecasts
 - ◆ Controlling costs with Zero Based Budgeting
 - ◆ Functional benchmarks
- ◆ Using management accounting information to build business strategy
 - ◆ Common business strategy tools
 - ◆ Product and service profitability
 - ◆ Customer and market profitability
 - ◆ Product line profitability
 - ◆ Customer profit vs. customer value
- ◆ Implementing strategy through a performance management framework
 - ◆ Strategy maps that translate strategy into action
 - ◆ 8 Criteria of good measurement
 - ◆ Result indicators vs performance indicators
 - ◆ PIs and KPIs
 - ◆ Scorecards vs. dashboards
- ◆ Performance measures that encourage and track the implementation of strategy
 - ◆ Modelling cause and effect
 - ◆ Selecting the most important business drivers
 - ◆ Turning drivers into performance measures
 - ◆ Turning operational data into accurate and useful management information
- ◆ Modelling product costs, customer profitability and customer value
 - ◆ The importance of models in decision making
 - ◆ Oxenfeldt's rule
 - ◆ The causality principle – Understanding what drives cost
 - ◆ Designing cost models that match economic reality
 - ◆ Designing cost models that both assign and predict costs
 - ◆ Special costing tools and techniques

- ◆ Data accuracy and relevance
 - ◆ Precision vs. accuracy
 - ◆ Financial costs vs. economic costs
 - ◆ The periodicity problem
 - ◆ Depreciation expense vs. long-term capital preservation
 - ◆ Cost of capital
 - ◆ Cost behavior “direct” vs. “indirect”; “fixed” vs. “variable”
- ◆ Planning and decision support
 - ◆ Pricing and quoting
 - ◆ Decisions covering multiple periods
 - ◆ Make / buy decisions
 - ◆ Outsourcing decisions
 - ◆ On shoring / off shoring decisions
 - ◆ Capital expenditure decisions
 - ◆ Target costing
 - ◆ Discrete event simulation
 - ◆ Supply chain management
 - ◆ Product mix management
 - ◆ Manpower planning

Teaching method

- ◆ Group live instruction, discussion cases, examples, group work, open discussions
- ◆ Hands-on model and template building using Excel (Optional workshop only)
- ◆ Use of case studies and real-world examples to illustrate the practical application of management accounting practices
- ◆ Interactive participation is encouraged
- ◆ All participants receive a comprehensive binder containing copies of the presentation slides, handouts and other course materials

Prerequisites

Understanding of basic management accounting principles and practices. No advance preparation is required for this course. For the optional two-day workshop familiarity with Excel, and working knowledge of your company's operations will be necessary. It will be helpful bring along a layout of your manufacturing facility or process maps of the services you deliver; your company's organization chart; and a listing of the costs incurred by your organization.

Course benefits

The course will equip the business accountant with a range of tools and techniques essential to his role of trusted business advisor and will show how these can be incorporated into an effective management accounting process. By the end of the course he will have learned how to:

- ◆ Avoid the problems inherent in using cost information directly from financial accounting systems designed around international accounting standards;
- ◆ Design cost models that reflect economic reality, show true profitability of products and customers, and predict costs;
- ◆ Combat the time stealers of traditional backward looking accounting processes;
- ◆ Incorporate the cost of capital into cost information used to support management decisions;
- ◆ Turn business strategy into forecasts and plans using strategy maps;
- ◆ Develop a performance measurement framework that supports the execution of the organization's strategy.

Who should attend?

- ◆ CFOs, Controllers and Cost Accountants
- ◆ Cost Estimators, Budget Analysts
- ◆ Financial Analysts, Systems Analysts

CPE / CPD Accreditation

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Field of study: Accounting

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In House

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