

## Unit FM319 Contributing to the Management of Performance and the Enhancement of Value

(SQA Unit Code DG7E 04)

This unit is imported from the Accounting Occupational Standards Group (Unit 8)

This unit is about collecting, analysing and interpreting information of help to managers in controlling costs and improving the performance of operations. There are two elements. The unit focuses on the identification and analysis of costs that may be of help to managers. You will have to monitor and analyse costs against trends, standards and organisational needs, and explain any difference between actual and planned or expected costs. In addition, you will have to demonstrate your understanding of forecasting techniques as an aid to cost analysis and control.

The unit is also concerned with monitoring the performance of an organisation or parts of an organisation and making recommendations that will enhance the organisation's value. In this element you have to identify and calculate performance indicators, monitor the performance of part or all of the organisation and make proposals that will enhance the value of the organisation.

You will have to obtain information from a variety of internal and external sources and monitor costs, performance indicators and movements in prices over an appropriate timescale. You will also be required to use the information to prepare and present management reports. As well as being familiar with manually developing information, you will also need to know how computer spreadsheets can assist you in preparing cost and performance information.

### Performance Criteria

You must be able to:

1. Identify valid, relevant information from internal and external sources
2. Monitor and analyse on a regular basis current and forecast trends in prices and market conditions
3. Compare trends with previous experience and identify potential implications
4. Compare standard costs with actual costs and analyse any variances
5. Analyse the effect of organisational accounting policies on reported costs
6. Consult relevant staff in the organisation about the analysis of trends and variances
7. Present reports to management that summarise data, present information using appropriate methods and highlight significant trends
8. Analyse routine cost reports, compare them with other sources of information and identify any implications
9. Prepare and monitor relevant performance indicators, interpret the results, identify potential improvements and estimate the value of potential improvements
10. Consult relevant specialists and assist in identifying ways to reduce costs and enhance value
11. Prepare exception reports to identify matters which require further investigation
12. Make specific recommendations to management in a clear and appropriate form

## Knowledge and Understanding

To perform this unit effectively you will need to know and understand:

### The business environment

1. External sources of information on costs and prices: government statistics, trade associations, financial press, quotations, price lists
2. General economic environment

### Accounting techniques

3. Basic statistical methods: index numbers; sampling techniques; time series analysis (moving averages, linear regression and seasonal trends)
4. Use of relevant computer packages
5. Methods of presenting information in graphical, diagrammatic and tabular form
6. Performance indicators: efficiency, effectiveness, productivity; balanced scorecard, benchmarking; unit costs; control ratios (efficiency, capacity and activity), scenario planning ('what-if' analysis)
7. Standard costing

### Accounting principles and theory

8. Marginal and absorption costing: cost recording, cost reporting, cost behaviour
9. Cost management: life cycle costing; target costing (including value engineering); activity based costing; principles of Total Quality Management (including cost of quality)
10. The use and limitation of published statistics
11. Effect of accounting controls on behaviour of managers and other employees

### The organisation

12. How the accounting systems of an organisation are affected by its organisational structure, its administrative systems and procedures and the nature of its business transactions
13. The organisation's external environment and specific external costs
14. The contribution of functional specialists in an organisation (e.g. marketing, design, engineering, quality control, etc.) to cost reduction and value enhancement