

Subject Code	:	AF5121
Subject Title	:	Strategic Value and Cost Management
Level	:	5
Credits	:	3
Mode of Study	:	Seminar 42 hours
Pre-requisites	:	None
Exclusions	:	Strategic Value Management (LGT5039) <i>OR</i> Strategic Value and Cost Management (LGT5045)
Assessment	:	Coursework 50% Final Examination 50%
Minimum Pass Grade	:	Coursework (D) Final Examination (D)

Role and Purpose

This subject aims to:

- Familiarize students with strategic and operational concepts of value and cost that are critical to the understanding and analysis of internal supply chain management problems (GSM OUTCOME 2).
- Stimulate critical and creative thinking in the business setting by integrating the internal and external contingent variables relating to the cost of transacting that define the relationships and contracts that will best serve the business (ISS OUTCOME 1).
- Equip students with cost and management accounting problem solving skills which help them understand critically how value and cost can be strategically managed to improve efficiency and effectiveness that improve competitive advantage and operational sustainability (ISS OUTCOME 1; GSM OUTCOME 3).
- Introduce to students the process of identifying cost and value in business, and the tools and techniques that are used to evaluate cost, price and value in purchasing and supply decision-making. These tools also ensure the effective supply chain management operations and strategy (GSM OUTCOME 3), as well as the proper installation, implementation and monitoring of quality system in an organization (QMN OUTCOME 1).

Learning Outcomes

On completion of this subject, participants will be able to:

- Understand and critically apply the appropriate techniques to generate cost information to help management in planning and control of supply chain management operations and strategy (GSM OUTCOME 3).
- Suggest alternative solutions to various management decision-making problems based on their understanding of relevant cost information and other management accounting tools (ISS OUTCOME 1).
- Understand and critically apply the concepts and theories of strategic values and costs and their related issues (GSM OUTCOME 2).
- Identify and apply costs and other critical success factors in management planning, control and quality management (QMN OUTCOME 1, GSM OUTCOME 3).

Indicative Teaching/Learning Approach

This course is conducted in a three-hour seminar basis, including a two-hour mass lecture each week to initiate students into the ideas, concepts and techniques of the topics in the syllabus, which is then reinforced by a one-hour tutorial designed to consolidate and develop students' knowledge through practical problem solving, presentations of cases or discussions of articles relevant for the subject.

Indicative Content

Strategic Values and Positioning

Concepts of strategic values. Value chain analysis and competitive strategy. Link between strategic positioning and cost management. Ethical standards and resolution of ethical conflicts.

Understanding Costs: Concepts, Classifications and Estimations

Cost and management accounting terms. Manufacturing cost flows. Cost behaviours and Cost estimation.

Variable Costing and Cost-Volume-Profit Analysis

Difference between absorption costing and variable costing. Breakeven analysis. Relationship between CVP and cost planning.

Job Costing and Activity Based Costing

Description the building block concept of costing systems. Approach to job costing. Cost allocation systems. Understanding cost drivers. Distinctive features of activity based costing.

Budgeting

Master budget and its strategic role to organisations. Zero-based budgeting. Incremental budgeting. Fundamental budgetary behaviour.

Decision Making Processes and Pricing Decisions

Fundamental concepts on decision making. Different decision making scenarios. Strategic issues in using relevant cost information. Strategic pricing. Life-cycle costing. Target costing. Theory of constraints.

Performance Measurement

Decentralization and responsibility centers. Segment reporting and profitability. Performance measures. The Balanced Scorecard. Linking performance measures to strategy.

Quality Assurance and Strategic Value

Link between quality and strategic value. Total quality management. Six Sigma approach. Costs of quality reports. Quality cost information and decision making.

Indicative Reading

Blocher/Chen/Cokins/Lin, *Cost Management: A Strategic Emphasis*, most recent edition, McGraw Hill.

Kaplan, R. S. and A. A. Atkinson, most recent edition, *Advanced Management Accounting*, Prentice Hall.

Shank, K. and Govindarajan, V, most recent edition, *Strategic cost management*, Ashgate.