

MANAGEMENT CONTROL SYSTEMS

- ✓ Responsibility centers
- ✓ The Nature of Management Accounting control systems
- setting financial performance targets

Review

Qn. 4 (b) Nov 2019

Qn. 3 (c) Nov/Dec 2020

Qn. 3 (b) March 2021

Qn. 1 (d) Oct 2021

Introduction

Types of controls used in organisations.

- Strategic controls
 - Management / tactical controls
 - Operational controls
- } levels

Types of controls

- Action or behavioural control.
- Personnel, cultural & social controls
- Result/output controls.
- * Feedback } controls.
- * Feed forward }

Responsibility Centers

- Cost Center
- Revenue Center
- Profit Center
- Investment Center

The Nature of Mgt Accounting Control systems Approaches

a) Planning processes

- Planning involves;
 - Budget setting
 - Work plans
 - Setting targets

• Responsibility Accounting

Controlability → Hold someone accountable looking at factors within their control.
Principle.

Setting financial performance targets

SMART

Specific / clarity

Measurable

Attainable

Realistic

Time bound

Approaches to setting financial performance targets

- Engineering approach - Engineered targets
- Historical approach (iron) - Historical targets
- Negotiation - Negotiated targets

* Importance of setting targets

* The need for a participatory approach in target setting

* Side effects of using accounting information on performance evaluation.