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INTRODUCTION

I was appointed to the position of Finance Director this job has enormous responsibilities which play a vital role within the corporation. This position also embraces responsibility accounting, which is a system that measures the budget, strategy and actions against the actual results of each Responsibility Centre. The responsibility centre is defined by Drury (2008 pp.395) as 'a unit of a firm where an individual manager is held responsible for the

3. Investment Centre Manager

The Investment Centre Manager is responsible for income generated by sales and the costs incurred. "In an investment centre, managers have the responsibilities of a profit centre plus responsibility for capital investment." Performance Measurement by Steve Lay, www.accaglobal.com, sited on 08.03.2010.

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This manager has the authority to make capital investment decisions, as well as, decisions regarding working capital in the company's best interest. To measure the divisional performance the following methods are generally used:

- Return on Investment (ROI)
- Net Residual Income (NRI)
- Economic Value Add (EVA)

The calculations for these techniques can me seen in (Appendix 4) taken from Strategic Management of Accounting Module.

(typically direct labour or machine hours) whereas ABC systems use many second stage cost drivers." He also states that "traditional systems tend to allocate costs to departments whereas ABC systems allocate costs to activities: (ABC systems tend to have more cost centres/cost pools) "

The Marginal system combines maintenance and production cost centres, whereas on the other hand ABC system divides the cost drivers for the maintenance departments.

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2. <u>Full or Absorption Costing</u>

Absorption costing is a systematic way of allocating a fair share of the indirect costs or overhead costs into the actual cost of the production units. It is a traditional approach which uses three stages:

Website http://basiccollegeaccounting.com sited on 05.07.2010

APPENDICES

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APPENDIX 6

SUMMARY OF IAS 2

Objective of IAS 2

The objective of IAS 2 is to prescribe the accounting treatment for inventories. It provides guidance for determining the cost of inventories and for subsequently recognising an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories

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