


Intro: this Study Guide explains the role of strategic management accounting (SMA) in strategic planning & control along with its application in real life to improve profits.

Role of strategic performance management (SPM) in strategic planning and control

Features of SMA	Explanation	Techniques of SMA
External orientation	<ul style="list-style-type: none"> Competitor information Supplier & customer information 	<ul style="list-style-type: none"> activity based costing attribute costing benchmarking competitive position monitoring competitor cost assessment competitor performance appraisal based on public financial statements customer accounting integrated performance measurement quality costing strategic costing strategic pricing target costing value chain costing life cycle costing
Long-term process	Focuses on utilising qualitative & quantitative information	
Forward looking	Provides information about potential changes in market factors	
Holistic approach	Collecting any relevant information	

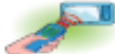
<p>Strategic planning</p> <ul style="list-style-type: none"> determines future course of action focuses on entire organisation strategic planning models include goal based & issue based planning 	
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Introduction to strategic management accounting

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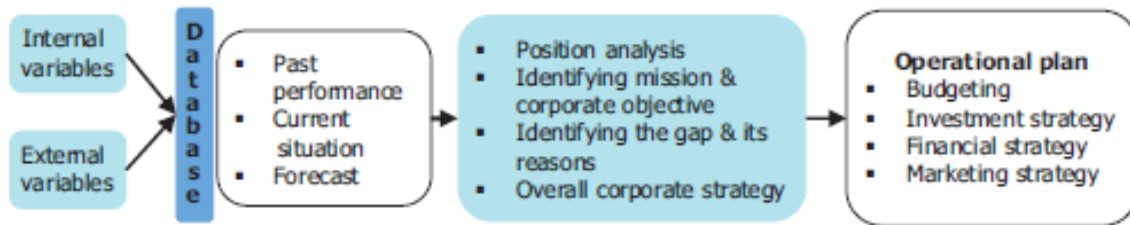
Strategic planning and control

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<p>Strategic control</p> <ul style="list-style-type: none"> tracks strategy as it is implemented detects any problem areas makes adjustments, if required 	<p>Role of SMA in strategic planning & control:</p> <ul style="list-style-type: none"> generates both qualitative & quantitative information its prime objective is to have a sustainable competitive advantage identifies significant changes in external factors which helps in coping with changes in dynamic competitive environment & provides relevant & reliable information
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Role of corporate planning to clarify corporate objectives, strategic decisions & progress

Factors: corporate planning		Role of corporate planning
<p>Strategic framework:</p> <ul style="list-style-type: none"> mission / vision statement values & strategies 	<p>Control</p> <ul style="list-style-type: none"> objectives Indicators of key factors of success 	<ul style="list-style-type: none"> helps to identify corporate objectives ensures strategic decisions are taken at corporate level based on SWOT & gap analysis helps in devising workable action plan to achieve corporate objectives
<p>Risks</p> <ul style="list-style-type: none"> identification & evaluation impact on results managing risks 	<p>Operational plans</p> <ul style="list-style-type: none"> line of action indicators 	<ul style="list-style-type: none"> includes decision-making as well as control of actual performance indicates long-term direction & scope Considers existing resources & explores future resources



Compare planning & control at strategic & operational levels

Planning & control	
Strategic level	Operational level
Holistic approach towards planning and control	Detailed plan is made, normally departmental planning and controlling to pursue departmental objectives
Forward looking	Considers current performance level and control activities
Focuses on external opportunities & threats	Internally oriented
Considers external & internal information	Mostly internal & specific information
Long-term planning	Short-term planning
Can be altered	Normally remains unaltered



Strategic planning and control

Reasons for failure in delivering strategic plans

- absence of goal congruence
- inadequate communication between strategic & operational level staff
- lack of measurement & feedback on performance



Use of strategic management accounting in the context of MNCs

Complexity of business	Geographic solution	Fund positioning	Transfer pricing	Exchange rate fluctuation
need to plan for financial & administrative control by measuring performance with budgets & targets	stability of national environment & maturity of firm considered to decide policy for foreign subsidiaries	positioning of funds to provide sufficient working capital for expansion	charging prices for goods to other divisions of the firm; helps in performance evaluation	need to manage foreign exchange exposure to maximise profitability, net cash flow & market value of firm