

Unit Title:	Understanding the principles of management information
OCR unit number:	6
Credit value:	7
Level:	4
Guided learning hours:	62
Unit reference number:	A/504/1469

## Unit aim and purpose

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By completing this unit the learner will be able to prepare essential financial information to support the management of a business.

Learning Outcomes	Assessment Criteria
<p><b>The Learner will:</b></p> <p>1 Be able to establish costs and prices</p>	<p><b>The Learner can:</b></p> <p>1.1 Classify costs as fixed, variable, direct or indirect</p> <p>1.2 Calculate unit costs using the most appropriate method:</p> <ul style="list-style-type: none"> <li>• Direct costing, or</li> <li>• Absorption costing</li> </ul> <p>and reconcile the differences between the costs obtained</p> <p>1.3 Calculate the sales price for a given product or service using cost based pricing</p> <p>1.4 Calculate transfer prices for specified sales to internal customers which take account of appropriate costs</p>
<p>2 Be able to prepare budgets and forecasts using appropriate budgeting approaches</p>	<p>2.1 Apply forecasting techniques to assist management in performance measurement and planning</p> <p>2.2 Prepare budgets, or extracts therefrom, from information supplied</p> <p>2.3 Assess budgeting approaches and methods, taking into account their advantages and disadvantages for planning, control and motivation:</p> <ul style="list-style-type: none"> <li>• Bottom-up and top-down approaches to generating and managing budgets;</li> <li>• activity-based, responsibility-based and product-based budget structures;</li> <li>• zero-based and incremental budgeting</li> </ul> <p>2.4 Prepare a cash budget for a business, which highlights the implications of cash surpluses and deficits</p> <p>2.5 Calculate the cash cycle for a business recognising its significance</p>

Learning Outcomes	Assessment Criteria
3 Be able to select appropriate performance management measures	3.1 Assess financial and non-financial performance measures based on performance management systems which encourage the business as a whole to meet its objectives 3.2 Calculate differences between actual performance and standards or budgets in terms of price and volume effects identifying possible reasons for those differences 3.3 Calculate profits under direct, absorption or marginal costing reconciling the results under these different methods
4 Be able to calculate financial data for use in management decision making	4.1 Calculate the breakeven point, contribution and margin of safety for a given product or service 4.2 Analyse allocation of scarce resources to those products or services with the highest contribution per limiting factor 4.3 Calculate the net present value , internal rate of return, payback period or accounting rate of return for a given project 4.4 Analyse the advantages and disadvantages of investment appraisal techniques

## Assessment

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Assessment for this unit is through examinations set by the Institute of Chartered Accountants England and Wales (ICAEW).

*Candidates can only claim this qualification after they have achieved the Institute of Chartered Accountants in England and Wales' (ICAEW) Certificate in Finance, Accounting and Business qualification; which is assessed by examination, subject to ICAEW conditions.*

## Evidence requirements

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Candidates are required to submit a digital copy of their achievement which will be confirmed by ICAEW.

## Additional information

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For further information regarding administration for this qualification, please refer to the OCR document 'Admin Guide: Vocational Qualifications' (A850) on the OCR website [www.ocr.org.uk](http://www.ocr.org.uk) .