Management Accounting

MANAGEMENT ACCOUNTING

A Review of Contemporary Developments

Second Edition

Robert W. Scapens

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In memory of W. R. Scapens

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Preface to the First Edition

In 1982 I wrote a survey paper on management accounting for the Economic and Social Research Council (ESRC – at that time, SSRC). My objective in writing that paper was to survey the development of management accounting in the academic literature over the preceding twenty years or so in an attempt to assess the current state-of-the-art. The paper reviewed contemporary developments in management accounting research in quite broad terms and when I decided to use the general themes of the survey in my undergraduate teaching, I found it necessary to give students a number of lectures to introduce them to the concepts and techniques which have been discussed in the research literature. This book has arisen out of these lectures.

Readers who are familiar with the management accounting research literature are urged to read the survey paper, which has now been published along with two other ESRC-commissioned surveys in *Management Accounting*, *Organizational Theory and Capital Budgeting* by R. W. Scapens, D. T. Otley and R. J. Lister (Macmillan/ESRC, 1984). This present book is intended for readers who have not explored the research literature in any depth, but have some knowledge of standard textbook treatments of the subject. The contents of the book are aimed at second/third year students of management accounting and others who want to understand the directions of contemporary management accounting research.

It is assumed that the reader has had at least an introductory course in management accounting and is familiar with the topics typically covered in introductory textbooks. But a reader who has studied or is currently studying an intermediate management accounting textbook will also find this book very relevant. An attempt has been made to limit the complexity of highly mathematical topics – where mathematics are used they are kept as simple as possible and the interested reader is referred to more detailed treatments elsewhere. In general, emphasis is given to the interpretations and conclusions which can be drawn from mathematical analyses, rather than to the form of the analyses themselves.

No attempt is made to achieve a comprehensive coverage of all research which can be described as being within the field of management accounting. Certain important topic areas have been selected, to illustrate the general nature of contemporary developments in management accounting research. Having completed the book, the reader should have an understanding of current academic thought in management accounting, a knowledge of where it has come from, and some ideas as to where it might lead.

I would like to express my gratitude to the ESRC for commissioning the survey paper which has led eventually to this book. In addition, my thanks are due to Professor Mike Bromwich, who first suggested that I should expand my survey paper into a book, and whose comments, criticisms and advice in the editorial process have contributed greatly to the end result. Mention should also be made of a number of my students who offered critical comments on earlier drafts. Finally, I would like to express my special thanks to my wife, Maureen, for her support and encouragement and for the many hours she spent word processing the material for this book.

December 1984

Robert W. Scapens

Preface to the Second Edition

In the five years since the first edition was published management accounting research has received considerable attention, particularly in the professional literature. The claims of Professors Johnson and Kaplan that management accounting has lost its relevance in the modern technological environment and is failing to give managers the information they need to compete in highly competitive world markets has created an atmosphere of crisis in management accounting circles. In this second edition these claims are discussed and a proposal to introduce a new system of cost accounting, called activity-based costing, is evaluated. In addition, reviews of other areas of accounting research are brought up to date.

The descriptions of management accounting practice in Chapter 3 have been extended to encompass the various case studies which have been published in recent years. But the major changes have been in Part IV, Current and Future Developments (Chapters 10–13), which has been revised and extended to include the developments which have taken place over the last five years. Chapter 10 (Agency Theory and Management Accounting) and Chapter 11 (Cost Allocation Models) have been revised and their order reversed. Chapter 12 is a new chapter which describes activity-based costing and Chapter 13 (previously Chapter 12) has been extended to evaluate the crisis in management accounting.

Other parts of the book are substantially unchanged, although amendments have been made in response to suggestions made by users of the first edition. In particular, I am grateful for comments received from my own students and from John Benzie, who read the first edition on to tape for the RNIB Student Tape Library. I would also like to thank my colleagues Trevor Hopper and Linda Lewis for commenting on the new material for the second edition. Finally, I want to thank again my wife, Maureen, for her continuing support and for her word processing.

June 1990

Robert W. Scapens