

PROJECT WORK

Assessing the Impact of Accounting Information Education Sector: The Case of ZCAS

By

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Helped by:



A Research Report Submitted in Partial Fulfillment for the
Award of the Bachelor of Finance and Investment
Analysis (BFIA) of Amity University

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CERTIFICATE

This is to certify that **Dr ***** has planned and conducted the research project entitled **Assessing the Impact of Accounting Information Education Sector: The Case of ZCAS University** in partial fulfillment for the award of the Bachelor of Finance and Investment Analysis of Amity University under my guidance and supervision and the report submitted therewith was the result of the confide work done by him.

Place: Lusaka, Zambia

Signature:

Date: ***

Project Guide/Mentor: ***

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As a requirement for the completion of the Bachelor of Finance and Investment Analysis (BFIA), I undertook the task of completing my Research Project on “**Assessing the Impact of Accounting Information Education Sector: The Case of ZCAS University**”. I, therefore, wish to acknowledge the selfless contribution and invaluable efforts of countless persons that made this research project possible.

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Student Name: ***

Abstract

It is necessary to form decisions and implement as per strategy. A decision related with the choice of an action often out of variety of alternatives. So as to settle on the proper one, decision-makers need some guidance, which is partially provided by information gathered by management accounting. Tools utilized in the management accounting area are consequently considered as a helpful support.

ZCAS focuses on a number of these tools, including the costing system, profitability, costing tools and budgeting, which can be presented during this project report. The costing system contributes to the available knowledge of costs, building the idea for several decisions, like determining prices. Profitability is used particularly for decisions concerning discontinuing operations, whereas budget deals with the evaluation of investments.

This financial information supports decisions made in ZCAS. Various decision-making models are identified in literature to look at this process of decision-making. Out of this pool a sequential model was chosen for instance the decision-making steps in ZCAS. This model divides the decision-making process into several stages that follow one another. However, it'll be illustrated that the decision-making process in ZCAS may be a bit more complex and can't be easily squeezed into these steps.

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Education systems are struggling in in developing countries, especially in African countries. To improve the efficiency, management, and distribution of education services, particularly for the poor and vulnerable populations such as girls and minorities. Still policy makers in developing countries often contend with a paucity of education sector data.

1.2 ZCAS Profile

The Zambia Centre for Accountancy Studies (ZCAS) is a statutory body established under Act No.1 of 1989 (Cap 391) as a self-financing non-profit making institution with the mandate to train accountants, promote research and advancement of learning in accountancy, finance and related studies, provide advisory and consultancy services, and for related matters.

ZCAS initially offered tuition only for the below mention:

- Association of Chartered Certified Accountants (ACCA)
- Chartered Institute of Management Accountants (CIMA)

It also conducted many consultancy assignments for various institutions including government ministries and departments, the private sector, NGOs and donor agencies in the areas of: strategic management, customer services (customer acquisition & retention), financial management, leadership and supervisory skills, development of systems and procedures, accounting and auditing, project management; monitoring, evaluation and reporting; marketing, sales and the development and formulation of business plans.

ZCAS received financial support from the different part of world i.e. European Union, NORAD and DANIDA. For the last twenty-six years however, ZCAS has been fully self-supporting and reliant only on the income received from its training and consulting services.

1.3 Statement of the Problem

In order to circumvent financial disasters through wrong and ineffective decisions, there is nowadays a vast pool of financial tools available which can be used to support the decision making process. Nevertheless accounting tools applied vary from organization to organization. One tool that proved to be very effective in one organization, might fail in another. For these diverse purposes, different information is required; therefore organizations must focus on different accounting tools to support their decision-making process.

1.4 Objective

Accounting Information System (AIS) within an organization are to perform the service function of transforming quantifiable financial data into useful information that efficiently and effectively aids management. It is also outside users in making decisions about the allocation of scarce economic resources.

1.5 Scope

Scope of accounting information systems is to report the results of operations using financial and non-financial measures; its purpose is to help the organization to reach its key strategic objectives.

1.6 Significance of the Study

The purpose of our project is to find out which accounting tools are the best. I believe that this topic can be utilized as a reference in the study of my course as well as job profile.

This would focus deeply in providing effective strategic solution for accounting information for successfully business.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL

2.1 Introduction

Financial information provided by the accounting management can help managers make better decisions. In order to illuminate the interrelation between management accounting and decision-making, we are going to illustrate both concepts separately as a first step and combine them in the following.

Therefore, we will begin generally by identifying key management accounting characteristics and providing an insight into a chosen model of decision-making. As almost all traditional theories that try to examine the relationship between accounting information and decision-making use knowledge about costs, prices and competitors to develop their decision-making models, we will show tools concerned about these aspects later on.

2.2 Nature, scope and purpose of management accounting

The nature of management accounting is to provide information that links the daily actions of managers to the strategic objectives of an organization. In addition, this information should enable managers to effectively involve the entire wider enterprise of customers, suppliers, dealers and recyclers in achieving the strategic goals. Further accounting management takes a long-term view of the organizational strategies and actions.

Meanwhile the scope of management accounting systems is to report the results of operations using financial and non-financial measures, its purpose is to help the organization to reach its key strategic objectives.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

When choosing a subject of interest for our study, we were quite intimidated. We found ourselves confronted with a huge pool of possible research topics and it had been quite difficult to settle on one. By considering the interests of our team-members we narrowed the range of topics. Two folks are pursuing studies within the accounting field whereas one is especially concentrating on the sector of leadership. Hence, the choice was made to mix both areas and therefore the final topic emerged.

In the next step, which consisted of selecting a corporation we took several characteristics into consideration: company type, size and site.

Type - One of the criteria for our choice was their area of operation. It should be occupied within the private sector because there is a special understanding of internal accounting among public companies, which often does not primarily aim at profit. We are more knowledgeable about businesses that operate within the education sector. For writing a reliable paper we decided therefore to specialise in this organisational type.

Size - It recommended to require a middle-sized to an outsized company, intrinsically organizations usually have own departments for internal accounting and a top management that's liable for strategic decisions. These tasks often flow in one

department in small organizations, and are interconnected. To fulfill the purpose of our paper, we would obviously like to separate these organizational responsibilities.

Location - So as to urge a deep insight into the corporate, it's necessary to figure closely with the corporate and to satisfy organizational members personally. The corporate should be easy to succeed in so as to conduct some interviews to urge an honest impression of the interior processes and reliable results. A corporation nearby could limit our time and budgeted problems.

The financial advisor turned out to be very in favor of helping the students in their studies. But for a first meeting, we did a meeting.

3.2 Pre-understanding

Pre-understanding usually appears in sort of theories, models, techniques, but mostly researchers don't have practical or institutional knowledge. It's determined by public knowledge of theories and techniques and specific knowledge of institutional conditions. Moreover, it is often suffering from personal attributes, like intuition or creativity.

We developed knowledge in a number of fields during our university studies and our college education, as mentioned above. Through this research, we hope our knowledge will be expanded and revised where necessary. Information cannot be gained only by intermediaries, as in our case by university and school teachers, but also through one's own personal experience. Our working experience within the studied fields is quite

limited. One among us has worked two months in an accounting department of an enormous company. Another one possesses some practical experience within the accounting field through a two week long internship organized by the varsity. The third one worked one month as a trainee in an accounting service of little organization.

Our specific knowledge of institutional conditions is especially reduced to the facts that we gained by studying ZCAS's homepage and conducting interviews. However, as we aren't 'insiders' of the corporate itself, we don't experience its culture. Consequently, we don't know much about the people working there, their interactions, their contacts and attitudes and that we only have little insight into the organizational processes.

As stated above, also our attributes might influence our extent of pre-understanding and by this the result of this study. The more or less limited knowledge we gained so far might affect the way we interpret interviews and add up of behaviours.

Pre-understanding is often seen as an input, as stated above. Understanding that contains the insights that one gains by doing an assignment is taken into account as output. Hence, we are motivated to enhance our understanding by conducting this work and that we hope to become experienced.

As to avoid getting under time-pressure we had to start out writing. Because it is hardly possible to write down Field work data without a corporation we started with the theoretical part, which led to the appliance of the deductive approach. This approach

starts with the more general information and narrows it right down to the more specific one. Hence, their start lines are often found in existing theories and ideas. In other words, this research form mainly tests theories that do exist already.

3.3 Case Study

The ideas of this paper are to an enormous extent based around education sector. The essential characteristic of a case study through its effort to "illuminate a choice or set of decisions: why they were taken, how they were implemented, and with what result".

A case study may be a great way to develop and increase understanding of a posh matter. It can add more experiences and opinions to the knowledge that was already gained in previous research. Hence, a case study research offers the prospect of a holistic view. Various aspects are studied in reference to one another and within their context. Therefore the holistic view sees more within the whole than simply the sum of its parts. Due to these advantages this strategy is applied during this paper by using it during a descriptive mode, which illuminates an involvement and its context.

Among the disadvantages is a lack of statistical reliability and validity, since a random number of observations and a random set of events are also not endorsed in case studies. In addition, one cannot draw generalizations from a single case. Nevertheless, our aim is not to depict generalizations, nor to perform this study using multiple cases.

CHAPTER 4 PRESENTATION OF DATA

4.1 Introduction

This Data Collection section will introduce the presently working organization, proceeding further with a presentation of the research participants and a description of the interviews' surroundings. Then the contents of the interviews will be given, starting with general information and decision-making; and then moving on to specific tools for decision-making.

4.2 Research participants and Surrounding

Our initial and main contact person was the Account Staff, who had been in ZCAS for four and a half years. He pursued financial and economic studies in the evenings and was working daytimes. After that he began to add an enormous consulting firm. Before his present job in ZCAS, he was employed in another company in the same position for approximately twelve years. In addition, we also interviewed the director of ZCAS.

The two interviews conducted were held in the offices of the responsible managers. When we arrived for the primary interview with the Account Staff the secretary awaited us already. A screen situated within the entry hall announced our arrival by showing our names, appointment time and interview partner. Thus, everything seemed very well organized and friendly. After a telephone message by the secretary the Account Staff came to guide us to his office.

CHAPTER 5 DATA ANALYSIS

5.1 Introduction

The analysis will be divided into two parts: The first one deals with the first research question, whereas the second one will be concerned about the latter one. So, we will start this analysis by examining similarities and differences between accounting tools as applied in ZCAS and as described in the theory. Afterwards we analyze the role of the information gained through these tools in the decision-making process.

5.2 Accounting tools in use

According to the theory, actions of management accounting should support the attainment of ZCAS's strategic objective. ZCAS's key objective is of dual nature. Officially, customer satisfaction is stated to be the company's main intention. However, this goal indirectly implies the aim of profit generation, as expressed in the director's statement. By controlling costs, which is seen as the main task of management accounting in ZCAS, management learns about the company's performance and can in the following, contribute to profits. According to these findings, we can conclude that one main purpose of management accounting is to contribute to profits in ZCAS.

ZCAS followed the idea of profit ever since its foundation. Also the ZCAS sees profit as very crucial, as it contributes to the ability of making new investments. Therefore ZCAS considers profit as the most important accounting tool. This and other

crucial tools will be illuminated in the following section, following the usual structure: cost accounting system, pricing, profitability and budgeting.

5.2.1 Cost accounting system

For different decisions costs are defined in different ways in ZCAS. First, the distinction between variable and fixed costs is made. However, the classification as used by ZCAS deviates a bit from theory, as the latter one takes the cost behaviour as only distinction-feature. Nevertheless, ZCAS only differentiates between administration costs, which are seen as fixed, and teaching costs, which are regarded as variable. This system is rather easy and circumvents potential differences in the interpretation of cost behaviours. It shall be considered that the definition as either fixed or variable cost can influence the outcome of certain decisions.

When choosing between the strategy of outsourcing or in house teaching, the Account Staff compares the costs of both alternatives. As suggested in the theoretical part, only relevant costs are considered in the case of in house in the university. Those costs, which cannot be avoided by outsourcing, are seen as irrelevant for the decision. As they occur in any case -independent of the choice between buying or producing - they are neglected in the cost calculation. In the situation of ZCAS all costs are looked upon as variable costs. Consequently, there is no fixed overhead defined in the teaching costs. Such a fixed overhead could possibly include irrelevant costs, such as depreciation or insurance costs, which will continue regardless of the decision. However, as ZCAS does not differentiate its teaching costs, much more costs are seen as relevant. This can lead to

the management team everybody has the same amount of authority. A democratic vote is conducted and everybody, regardless if it is the director or another manager have exactly one vote and additionally still everybody in the company can provide information for the decision. Therefore in this case the group decision is applied and it is in the same time a team decision with more final decision makers. Although if the democratic vote should not result in a clear answer the director will take the decision alone - this is more similar to a team decision. Thus in the case of ZCAS it is difficult to decide who is "the decision maker" as it varies from situation to situation and from the type of decision.

Decisions are done all the time in ZCAS. It is interesting to note that the director was not able to list a specific pattern of actions, when being asked directly if he follows certain steps when making important decisions. During the further progress of the interview however, the steps became more and more apparent. We therefore conclude that he is not consciously aware of the decision-making process he follows. Comparing Dairy's model of the decision-making process with the empirical data many similarities can be found.

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5.3.1 The decision-making process

In general, the director seems to apply an intensive planning process. This becomes evident when looking at his statement that big decisions are not done when waking up in the morning but after a certain time of gathering and exchanging information between various parts of the organization.

In stating that he further follows the margins of all products and checks the cost data each month, it became evident that accounting information is used not only for the planning phase but also for the control phase. Now we will analyze step by step how far ZCAS decision-makers are following the model of Dairy and where and to what extent accounting information is interfering with.

5.3.2 Planning Process

1. Identify objectives: As the director and also the Account Staff stated several times in the interview, the main goal in ZCAS is maximizing the profit. Also the founder of the company followed this goal, and the ZCAS continues the habit in order to be able to make new investments. The ZCAS as the actual owner also influences this step of the decision-making process. The director believed the expectations of success emerge from a dialog with them. They are rather independent with respect to other goals as long as they deliver good figures.

As seen in the empirical part every employee within the company gets a certain "piece of the cake". So if the company is doing well the employees earn more and are thus willing to help fulfilling ZCAS's overall aim. According to these results the accounting tool profitability seems to play a very important role within ZCAS. Affecting already the first step of the decision making process it can be expected that it influence the following steps too.

2. Search for alternative courses of action: This is regarded to be the most difficult step in the decision-making process. During the interview we got the impression that

ZCAS is very good at this stage. Through benchmarking they send people to check the products of the concurrence. Furthermore they are leading in development in their field and they possess many patents and are thus armed for the future. As the employees get rewarded for every good idea, ZCAS collects alternative impact from every single member of the organization. Certainly they do not have the time and resources to identify all possible alternatives but but with their rewarding system we think that they are still able to identify the most important ones.

3. Gather data about alternatives: Management accounting information makes an important contribution to this step, as well as to the previous one. By doing simulations, based on collected cost information, management accounting is able to predict likely effects of decisions and add value to them. Such simulations might for example include the prediction of results of price changes. However as the director mentioned, he would like the financial department to do more simulations in the future. It can be anticipated that this step might be developed further in the next years. ZCAS laid off some employees to prepare for the future if the business might go down. This shows that they consider economical factors that do not lie in their hand such as conjuncture and inflation. It also shows that they are very cost conscious and thus also this tool seems to be important also for this step of the decision-making process. Other tools such as pricing and management accounting itself surely also interfere to some extend - depending on the decision made. During the interview both managers claimed several times that ZCAS regards the long-term effects as much more important then the short one. Thus when collecting information they will put more emphasize on the long-term outcomes.

Furthermore with their rewarding system also everybody in the organization can be considered as a potential source of information about alternatives. These data might even serve as an input for the accounting process, like information about prices or expected sales level. Consequently, these departments, next to the financial department can affect the decision-making process through this provided information, but also through their vote in meetings of the management team.

4. Select appropriate alternative courses of action: As mentioned beforehand the decision itself is done by a majority voting where the director has the last word. We suppose that out of the vast pool of alternatives they will select the option that in their opinion achieves the company goals best. It shall be pointed out that it is often quite difficult to identify the commitment of the decision-makers, as well as the decision-makers themselves, because there is often no identifiable point when a decision is made. People are meeting in the cafeteria, discussing and maybe making some small decisions. These decisions and their following actions might be the basis for other decisions. So in the end one big decision might emerge.

5. Implementation of the decision: In the management team a budget for every year is discussed. Thus all the decisions will be elaborated and put into number through this financial plan. The financial department once more plays a very important role within this last step of the decision-making process and also financial information is a crucial ingredient. As more or less all the financial data is available for everybody within the organization the budget within ZCAS can also be regarded as a way of communicating

the organizational aims. Thus everybody gets informed about the future changes and the role they play within.

The actual implementation of a decision is done by working closely together with the service or the fields that are affected by the decision and by constant feedback and information exchange. This leads us to the control process, which is implemented after the decision-making process in Dairy's model.

5.3.3 Control Process

1. Compare actual and planned outcomes: The financial department delivers the actual figures every month to the management team and to the ZCAS. As seen in the empirical part the management team looks at the figures and compares them every month. Thus the financial department plays a key role in showing problem areas and in terms of measuring the own performance within the control process. Profit is a commonly used feedback-tool. It allows for a comparison of different periods and an evaluation of their performances.

2. Responding to divergences from plan: As the director stated it is stubborn to follow the path of a wrong decision they try to change as soon as they detect that an error has occurred. The accounting control function plays a very important role in order to identify whether the company is moving in the right direction or not. The director further added that sometimes it is difficult to admit a mistake. Still the goodwill in favour of changing mistakes seems to be there.

As the information provided by management accounting in ZCAS supports the steps of the decision-making process, it can be seen as somehow integrated into the decision making process. Also the control process would hardly be possible without the data delivered from the financial department, which compares planned with actual outcomes. Hence, it helps in gathering data about possible alternatives, presents financial information about the possible outcomes and gives finally financial feedback during the implementation and afterwards.

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CHAPTER 6 RECOMMENDATION

As per above analysis, it recommended that profitability is regarded as the most important tool for the owners and also for the managers. Tools that allow an examination of the relationship between accounting information and decision-making were analyzed. These tools included the traditional accounting system, a mixture between target and cost-plus pricing, a kind of benchmarking, working capital, gross and operating profit and the payback method. As shown, ZCAS adapted them and hence, there were some differences to their outlined theoretical descriptions.

Those quantitative data, however, are not enough to make successful decisions. The role of the accounting information providers, as well as the decision-makers, in qualitative data, as well as personal feelings, experiences and preferences, has a significant impact on decision making.

CHAPTER 7 CONCLUSIONS

Throughout this project the importance of financial information as gained through management accounting tools was underlined. Apparently, decisions are affected by this data. This is also the case in ZCAS. This leads us to the answer of the second purpose about how those accounting tools affects the decisions made by the company.

As stated, all interviewees agreed on the basic role of accounting information on decision-making. These data flows into the both, the planning and the control process afterwards.

The decision-making process itself is quite complex. The model of Drury, which consists of several successive steps, was applied to illustrate this process. However, we recognized that it is not always possible to squeeze all decisions into this model. In ZCAS's situation, it might be sometimes quite difficult to determine the final decision maker. Mostly a bigger number of people and departments is involved, who often meet in the cafeteria to discuss informally. So its decisions often emerge 'accidentally', making it quite hard, if not impossible to determine a final decision-making point.

We could identify various decision-making steps within ZCAS and moreover we were able to find out about the role that the accounting tools play within. Still as mentioned in the analysis that Drury's model gives evidence for many critics.

As we have seen in the theory, accounting tools are information provided to guide decision. Other non-financial factors are also often considered and even weighted more than just numbers and numbers. It is also sometimes very cost-intensive to make accurate figures about a certain problem; therefore estimates are made where feelings and experiences also influence the estimation outcome, and thus the final decision.

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APPENDICES

- How is the organisation structure formed in ZCAS?
- Which strategies/policies are used in ZCAS currency risk management?
- Is the strategy/policy explicitly stated or is it kept among the employees?
- How has the strategy and policy evolved? Who have been involved in this process?
- Does ZCAS have specific goals set besides the strategy with the currency risk management and in that case how are these distributed throughout the organisation?
- Do all finance managers in the group have information on how to perform currency risk management in the different parts attached to it?
- What is your responsibility as corporate treasurer concerning currency risk management?
- Which parts do you consider to be included in currency risk management in ZCAS ?
- Which risks do you find attached to these?
- How is the currency risk management in G affected by the current economic recession?
- How is the communication regarding currency risk management between the corporate treasurer and the finance managers at the subsidiaries managed?
- What do you as risk manager consider to be involved in the term currency risk management?
- Considering the terms of payment used for your customers, how many days are

normally agreed between ZCAS and the customer? Do you have a standard number of days on payment of invoices as a policy at the company?

- Does the number of days differ from one country to another, or from one type of market to another?
- How are the contracts with the customer formed? Are they formed in a way that binds the customer to ZCAS for a specific time or for a specific amount of purchasing?
- Are any specific clauses implemented in the contracts with your customers?
- Would you consider implementing stated guidelines for the finance managers in the group concerning how to obtain and provide the information for hedging? And thereby increasing their understanding and involvement in the hedging process.
- Which are your main intentions with visiting the finance managers at the subsidiaries? To get to know the managers and their organisation, or to discuss issues related to their work and the accuracy of the data they report to you?

