

Advanced Management Accounting - Week 3

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1.

a) A management accounting system is the process of providing information for decision makers. The contingent/important external variables would be Technology, competition and uncertainty for external and information systems, strategic focus, product life cycle and heterogeneity of management for internal.

Technology is to be considered for how to cost and make use of technology and machinery for drilling, production, and processing. Considering competitors who are also drilling oil fields, means identifying where drilling is viable, and assessing which locations offer the best yields. Uncertainty is important in evaluating probabilities and yield outcomes related to mining operations.

Organisational structure looks at the correct planning of the structure of the company, which is crucial for each of the parts of the complex process to work together in order to bring a material from raw to processed to be sold. Information systems will be used for maintaining an overview of oil and gas production and development, which involves technically and chemically complex processes. Strategic focus ensures that the company actions are well-planned and aligned with long-term objectives. Product life cycle would be useful in tracking when barrels are drilled, shipped, and sold to support cost allocation and revenue recognition. Heterogeneity of management helps addressing the geographical differences between UK and African operations, which introduce diverse regulatory, logistical, and cultural factors.

b) The management accounting systems prevalent for the business would be resource planning, production processing, risk management and performance management.

2.

a) Otley doesn't contradict himself here, he acknowledges that contingency theory has been a success in generating insights into how different set-ups of control systems produce varied outcomes. However, he also points out the limitations of contingency theory in that the research has not led to cumulative or generalisable knowledge. In other words, while the work has shown direction and revealed meaningful linkages, these insights are not of the kind that would be written in textbooks or widely taught. The findings tend to remain within academic discourse and are not easily transferable to practice. As such, contingency theory may be seen more as an academic exercise than a practical model for real-world business operations. While Otley points out that contingency theory has not produced cumulative knowledge, this is not a failing of the theory. Rather, it reflects the fact that organizational control is inherently complex and contextual. After all, contingency theory is concerned with identifying which "specific techniques might be most appropriate for particular organizations in their specific circumstances" (Otley, 2016).

b) Contingency theory maps the pathos, the procedures, systems and operational logic of a business, but it fails to offer an ethos for how the work should be carried out. This may not be a failure of the theory itself, but the reality that the theory does not describe the normative or cultural dimensions of organizational life. It might not be wise to expect procedures to generate ethos; examining specific techniques that are most appropriate in isolation and stating there is 'no best way' can be seen as lacking the universal ethical framework needed to establish stable, enduring values or behavioral guidance. To solve this there needs to be a bridge between context and identity. This would be done by looking into what it is that makes the business who it is. This expansion to research may guide it in a better direction.