

SAMPLE

NEW YORK UNIVERSITY
Stern School of Business: Undergraduate College
Fall 2006, C10.0002.03 Managerial Accounting, T Th 9:30-10:45am, Tisch LC 10

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Office Hrs: T Th 12:00-1:30 pm & 3:30-5:00 pm
Room 315 Tisch Hall

Tutor: TBA

Tutor's hours and location: TBA

COURSE OBJECTIVES

Content Objectives: The managerial accounting function is generally conceived of as (i) providing decision support to managers and (ii) facilitating organizational control.

Decision Support involves analyzing, aggregating, and reporting information derived from the firm's historical transactions data base, which the managerial accounting function shares with the financial reporting function, as well as other sources, to help managers draw up plans and evaluate alternative courses of action. Planning encompasses short- and long-term operating, tactical, and strategic decision-making. The decision support focus is thus one of providing *relevant information and analyses*.

Organizational Control is facilitated by the managerial accounting function's:

(a) *attention-directing contribution*: this involves the ongoing monitoring of performance along the key dimensions critical to the success of the firm's operating and business strategy. (Increasingly these relate not only to cost but also to quality, responsiveness, delivery, product lead times, etc.) The focus here is on *alerting managers to problems and fostering continuing improvement*.

(b) *decision influencing contribution*: this involves the design and maintenance of "management control systems" incorporating appropriate financial and non-financial performance metrics and incentive mechanisms. The focus here is on *promoting goal congruence and coordination* between the various organizational actors in a decentralized enterprise.

The content objective of this course is a critical understanding of the decision support role of managerial accounting. (Occasionally we will also make some observations about Operational and Management Control, but we will not comprehensively cover these topics.) A key theme is that the cost of an alternative in a decision setting is the sacrifice involved in adopting it, termed its *opportunity cost*. The opportunity cost depends upon the *opportunity set*; i.e. it is context dependent. However detailed the reporting system, not every context can be anticipated and reported upon. Periodic reporting systems can, at best, direct attention and support a preliminary conclusion. Managers generally need to access raw data and other information sources to conduct a sound and definitive analysis.

Skill Objectives: The skill objectives of this course include:

- Ability to structure business decisions systematically, identify needed information, and conduct a logical analysis.
- Ability to critically understand a firm's information base and reporting systems, in particular its cost accounting systems, and draw out the needed information to support decision making.

Key notions here are those of sunk costs, committed costs, out-of-pocket costs, incremental costs, relevant costs, and opportunity costs. These notions will be introduced and examined against the backdrop of the processes of cost accumulation, assignment, allocation, and absorption that underlie traditional cost accounting systems to impart a thorough appreciation of the contributions and limitations of historical product costs for decision making.

TEXT: There is no required text for the course. Detailed handouts will be given for each class. These will also be subsequently posted on **BLACKBOARD** (which we will use as the online course management system). However, if you require the comfort of a textbook, the recommended one is: Managerial Accounting by Garrison and Noreen, 9th Edition (Irwin-McGraw-Hill). The related chapters for each session are noted in the attached session outline. ***It is important to keep up with the materials. Please make good use of my office hours for help if you are having difficulties.***

HOMEWORK: So that you can test your comprehension of the subjects we cover, I will assign problems at the end of (almost) each class (and a copy will be posted on Blackboard). You must turn in your work at the beginning of the class **after** the one in which the work is assigned. **USE LETTER SIZE PAPER AND STAPLE YOUR WORK.** Homework will be evaluated on a {0,1,2} scale – 0 for missing homework, 1 for a fair attempt, 2 for a good attempt. Graded homework will not be returned to you. You can instead view your assigned points in the online gradebook in BLACKBOARD. I consider prompt feedback on mistakes you may make in doing your homework essential to your learning. I operationalize the feedback by both posting the solutions on Blackboard promptly after submission, and generally by discussing the solution in class as well. To facilitate comparison of the solution to your own work, **you MUST keep a copy of your solution with you.** Since solutions will be posted, **late homeworks will not be accepted** for any reason whatsoever. If you will be missing the class when the homework is due, you must leave a **hard copy** for me in my mailbox (third floor, Tisch Hall) **before class.** To allow for the occasional problem you may have in submitting the homework, I will drop the worst 1 of your (tentative) 8 homeworks.

EVALUATION: Homeworks 10%. Mid-Term 40%. Final Exam 50%.

SESSION OUTLINE

Session 1 9/5	INTRODUCTION & ROLE OF MANAGERIAL ACCOUNTING. Chapter 1 Overview of managerial functions, managerial informational needs, and management accounting's role in servicing these needs. COST TERMS, CONCEPTS & CLASSIFICATIONS. Chapter 2 Costing objects; Direct vs. Indirect Costs; Product vs. Period Costs; Fixed vs. Var. Costs
Sessions 2 & 3 9/7 & 9/12	ABSORPTION COSTING: Product Costing for External Reporting in Manf. Firms Effects of changing production volume on product costs under absorption costing VARIABLE COSTING. Reading: Chapter 6 Absorption costing and Variable costing contrasted and reconciled Variable Costing as an alternative Management Control tool
Session 4 9/14	COSTING OF INCOMPLETE PRODUCTION - JOB ORDER COSTING Reading: Chapter 3 (manufacturing and non-manufacturing settings) The use of predetermined overhead rates. Under/Over absorbed overhead.
Session 5 9/19	COSTING OF INCOMPLETE PRODUCTION (Contd.) - PROCESS COSTING Reading Ch 4.
Session 6 9/21	PRODUCT COSTING AND PRODUCT LINE PROFITABILITY REPORTING IN MULTI-DEPARTMENTAL MULTI-PRODUCT SETTINGS: Conventional methods Review for Mid – Term Exam
Session 7 (9/26)	Mid – Term Exam
Session 8 (9/28)	COST-VOLUME-PROFIT ANALYSIS: A PLANNING TOOL. Reading: Chapter 6
Session 9 10/3	PRODUCT COSTING AND PRODUCT LINE PROFITABILITY REPORTING IN MULTI-DEPARTMENTAL MULTI-PRODUCT SETTINGS Contd. Activity Based Costing Case: Titanic Auto Reading: Chapter 8.
Sessions 10, 11 & 12 10/5, 10/10 & 10/12	USING ACCOUNTING DATA IN DECISION-MAKING Reading: Chapter 13
Session 13 (10/17)	Review for Final Exam
Session 14 (10/19)	Final Exam