

NEW YORK UNIVERSITY
Stern School of Business
PRINCIPLES OF MANAGERIAL ACCOUNTING C10.0002
Fall 2007

Instructor: Prof. Alex Dontoh
Room 10-72 KMEC, x 80064
Off. Hrs: TR: 12:30-1:30 and by appointment.
adontoh@stern.nyu.edu

TA: Daniel Burns
10th Flr. Conference Room, KMEC
E-mail: daniel.burns@stern.nyu.edu
Office Hours: TR 12:15-1:25p

COURSE OBJECTIVES

An understanding of the evolving role that managerial accounting has played and is expected to play in servicing the informational needs of managers in their planning, organizing, and controlling functions. Planning encompasses short- and long-term operating, tactical, and strategic decision making. The managerial accounting function can be conceived of as serving three somewhat distinct but related purposes:

Two key themes through the course are the following: While "cost accounting" systems were first introduced to serve managerial needs, they were soon also used for computing product costs for inventory valuation for external reporting. The latter purpose then came to dominate the orientation of the single system one commonly found in most organizations. A single reporting system cannot perfectly serve all four needs. However, reflecting organizational inertia and the high information processing costs of an earlier era, one often still finds a single system in place, primarily oriented towards the GAAP requirements for external reporting. With advances in information technology, this is changing and the ability to analyze, aggregate, and report along many dimensions can be expected to improve. The appropriate dimensions will vary with the setting at hand and universal prescriptions are not appropriate. We shall further explore this theme in the context of the new competitive and technological environment.

The cost of alternative in a decision setting is the sacrifice involved in adopting it -- which 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 will generally need to access more raw data to conduct a sound and definitive analysis. The key notions here are those of sunk costs, out-of-pocket costs, incremental costs, relevant costs (and benefits), 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 so as to impart a thorough appreciation of the contributions and limitations of historical product costs for decision making.

TEXT (Required): Managerial Accounting by Garrison, Noreen AND Peter Brewer 11th Edition (Irwin-McGraw-Hill)

Grading Policy and Description

- Percentage breakdown or point breakdown of how grade will be determined should be included.

For core classes include Undergraduate Grading Guideline for Core Courses :

- At Stern, we want to ensure fair and consistent grading across core courses. As such, grades for this course will be distributed following the Stern Grading Guidelines for Core Courses at the Undergraduate College.

25-35% A's – awarded for excellent work

50-70% B's – awarded for good or very good work

5-15% C's (or below) – awarded for adequate or below work

Makeup of Course Grade:

Final Exam	45 %
Recap Tests	20 %
Attendance Class Participation	10 %
Homework Assignments	15 %
Group Project	10 %

COURSE POLICIES

Attendance

- Class attendance is mandatory and part of a student's grade. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, or civic obligation. If you will miss class for religious observance or civic obligation, you must inform me no later than the first week of class. Recruiting activities are not acceptable reasons for class absence.
- Students are expected to arrive to class on time and stay to the end of the class period. Chronically arriving late or leaving class early will have an impact on a student's grade. Students may enter class late only if given permission by the instructor and can do so without disrupting the class.

Class Participation

- Individual and Group participation is an essential part of learning in this course. Students are expected to participate in all facets of classroom learning.

Reading/Homework

- Students are expected to come to class prepared having read text and assigned readings prior to class. Homework, case studies, and other assignments are expected to be completed and handed in on time.

Late Assignments and Make-up Policy

- Late assignments will either not be accepted unless due to documented serious illness or family emergency or will incur a grade penalty unless due to documented serious illness or family emergency.

- Exceptions will be made for religious observance or civic obligation only when the assignment cannot reasonably be completed prior to the due date and the student makes arrangements for late submission with the professor in advance.

Classroom Norms

- If applicable, note your preference regarding food in class.
- Laptops, cell phones, Smartphones and other electronic devices are a disturbance to both students and professors. All electronic devices must be turned off prior to the start of each class meeting.

ETHICAL GUIDELINES

Student Code of Conduct

All students are expected to follow the **Stern Code of Conduct** (<http://www.stern.nyu.edu/uc/codeofconduct>)

A student's responsibilities include, but are not limited to, the following:

- A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
- A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

STUDENTS WITH DISABILITIES

- Students whose class performance may be affected due to a disability should notify the professor immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities <http://www.nyu.edu/csd/> to accommodate their needs.

TOPICAL OUTLINE AND COURSE SCHEDULE

I. INTRODUCTION:

9/4 - ROLE OF MANAGERIAL ACCOUNTING Overview of managerial functions, managerial informational needs, and management accounting's role in servicing these needs. Differences between the informational needs of managers and outsiders, and between managerial accounting and financial accounting.

Reading: Chapter 1

9/6 - COST TERMS, CONCEPTS & TERMINOLOGY

Costing objects; Fixed vs. Variable Costs; Direct vs. Indirect Costs Product vs. Period Costs.

Reading: Chapter 2

Homework Assignment 1: Due 9/11

II. PRODUCT COSTING SYSTEMS

Product costing systems as attention directing systems, and product costs as estimates of the long run demands placed on the resources of the firm by individual products. Cost pools and the cost accumulation, assignment, allocation and absorption process for a multidepartmental production organization (including service departments). The use of predetermined overhead rates. Under/Over absorbed overhead. Job order costing (manufacturing and non-manufacturing), introductory service department cost allocation. Introductory service department cost allocation.

9/11-9/13 - JOB ORDER & PROCESS COSTING

Reading: Chapter 3, Skim Chapter 4

Homework Assignment 2: Due – 9/18

9/18 ACTIVITY BASED COSTING

Reading: Chapter 8

9/20 Section Review and Recap Test

III. COST INFORMATION FOR DECISION MAKING

The critical role of cost information in analyzing alternative courses of action in managerial decisions is discussed.

9/25 COST VOLUME PROFIT ANALYSIS & DECISION MODELS

Reading: Chapter 6

Homework Assignment 3: Due – 9/27

Assignment of Group Project Due 10/25

9/27-10/2 PROFIT ANALYSIS & DECISION MODELS

Reading: Chapter 6 & Chapter 13

10/4 Section Review and Recap Test

III. COST PREDICTION AND PROFIT PLANNING

10/9-10/11 - BUDGETS AND PROFIT PLANNING FOR FUTURE OPERATIONS

The role of budgets in planning, control, and decision making is discussed. The importance of the master budget, its major components, and interrelationships of the various components is examined.

- i. Preparing a Revenue Budget
- ii. Preparing a Cost Budget
- iii. Capital Budgeting

Reading: Chapter 9

Homework Assignment 4: Due 10/16

10/16 Final Review

Final Exam 10/18 Exam