

NEW YORK UNIVERSITY
Stern School of Business
Fall 2017: Principles of Managerial Accounting
ACCT-UB.0002.02: T-Th: 11–12:15 pm, KMC 5-140
ACCT-UB.0002.03: T-Th: 2–3:15 pm, KMC 5-140

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COURSE OBJECTIVES

Content Objectives: The managerial accounting function is 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

(i) a critical understanding of the decision support role of managerial accounting. 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 a 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.

(ii) an introductory understanding of managerial accounting's contributions in facilitating Operational and Management Control. (A more comprehensive treatment of this topic is covered in the Advanced Managerial Accounting course.) In this context, the vocabulary of responsibility centers is introduced and the role of budgets as devices for co-ordination, communication, and control is addressed.

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 cost accounting systems to impart a thorough appreciation of the contributions and limitations of historical product costs for decision making.

- Ability to complete simple budgeting exercises and compute variances for the control of profit and engineered cost centers.

TEXT: There is no required text for the course. Detailed handouts will be given for each class. These will also be subsequently posted on the **NYU Classes** course website.

HOMEWORK problems are intended for you to test your comprehension of the material covered in class and as such are assigned after class. Two sets of problems will generally be assigned – “Practice” and “Submission”. Solutions to the latter have to be turned in **electronically** by the beginning of the next class. Group work on homework is encouraged, but individual submissions are required. Solutions to Practice problems will be posted promptly to facilitate your learning. Solutions to Submission problems will be posted once they have been turned in. You must keep a copy of your homework and check it yourself against the posted solutions. Homework will not be graded or be a formal part of your evaluation. However, if you do poorly in the exams, or are on the borderline between letter grades, then before determining your final grade, I will review the quality and frequency of your homework submissions.

Attendance is mandatory and will be randomly taken. I expect students to come on time and may deny admission five minutes after class commences. **Notebook computers or other electronic devices may not be used** in class unless you have a specific exemption.

It is important to keep up with the materials. Please make good use of our office hours for help if you are having difficulties.

EVALUATION: The better of your grade from two alternative weightings (the latter to encourage improvement if you get off to a slow start). *The final exam will be cumulative in coverage (albeit with greater weight to the later material).*

	<i>Alt 1</i>	<i>Alt 2</i>
First exam	30%	20%
Second exam	30%	30%
Final exam	40%	50%

Exams may not be rescheduled except in case of a documented family or medical emergency.

Grading Policy: At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty has adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an “A” or “A-” grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards. To give you an idea of where you stand going into the final exam, I will give you letter grade feedback after the second exam.

SESSION OUTLINE

Sessions 1 & 2	Introduction and Role of Managerial Accounting. Overview of managerial functions, managerial informational needs, and managerial accounting's role in servicing these needs Cost Terms, Concepts & Classifications Costing objects; Direct vs. Indirect Costs; Product vs. Period Costs; Fixed vs. Variable Costs Absorption Costing: Product Costing for External Reporting in Manufacturing Firms
Sessions 3 & 4	Variable Costing: An alternative Management Control tool Absorption costing and Variable costing contrasted and reconciled
Session 5	Costing Of Incomplete Production - Job Order Costing The use of predetermined overhead rates. Under/Over absorbed overhead.
Sessions 6 & 7	Costing Of Incomplete Production - Process Costing
Session 8	<i>Review for First Exam</i>
Session 9 (10/3)	FIRST EXAM
Session 10	Product Costing and Product Line Profitability Reporting in Multi-Departmental Multi-Product Settings: Conventional Methods
Session 11 & 12	Product Costing and Product Line Profitability Reporting in Multi-Departmental Multi-Product Settings: Activity Based Costing
Session 13	Cost-Volume-Profit Analysis: A Planning Tool
Sessions 14 to 16	Using Accounting Data In Decision-Making
Session 17	<i>Review for Second Exam</i>
Session 18 (11/2)	SECOND EXAM
Session 19	Management Control: Responsibility Centers & Accounting
Session 20	Issues in measuring performance of Investment Centers
Session 21	Budgets
Sessions 22 & 23	The Control of Engineered Cost Centers and Profit Centers: Flexible Budgets and Variance Analysis
Session 24	Issues in Cost Allocation for Shared Resources
Session 25	Operational Control: The Balanced Scorecard
Sessions 26 & 27	The Multi-Period Facility Replacement Decision (Capital Budgeting)
Session 28	<i>Review for Final Exam</i>
FINAL EXAM	Tuesday 12/19: Section 2 from 10 TO 11:50 AM; Section 3 from 2 TO 3:50 PM