

NEW YORK UNIVERSITY
Spring 2023: T-Th 3:30 am – 4:45 pm Room KMEC 2-100
ACCT-UB 4 Section 3 Principles of Managerial Accounting

Professor Ajay Maindiratta

E-mail: amaindir@stern.nyu.edu

Off. Hrs: T-Th 1 – 3 pm;

M-W 5 – 6 pm, by appointment on Zoom

[Zoom Link \(for M-W office hours only\)](#)

Meeting ID: 611 050 7603 Password: Off Hrs

Teaching Fellow: Jeonghoon (Eric) Kim

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Off. Hrs: TBA

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.

PEDAGOGICAL PROCEDURES

There is no required text for the course. Class Notes and (partially filled out) templates for exercises we will do together in class, will be posted in advance of each session (in the Handouts link in the **Brightspace** course menu). Once we fill the templates through our class discussion, completed documents will be posted on the **Brightspace** course site for your review.

Attendance is mandatory.

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”. When assigned, the Submission set has to be turned in online in Brightspace by the beginning of the next class. Solutions to Submission problems will be adaptively released immediately after you submit your work online to facilitate your learning. You should bring a copy of your work and the solution to the following class for any related discussion.

Submitted homework will not be checked and returned on an ongoing basis. It will also not formally count towards your grade for the course. However, if you do poorly on the exams, or are at the borderline between grade categories, I will review your homework submissions in making a final grade determination.

It is important to keep up with the materials. Please make good use of my office hours and the TF's availability for help if you have 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% |

See the attached session outline for the exam dates.

ACADEMIC INTEGRITY

Our undergraduate [Academics Pillar](#) states that *we take pride in our well-rounded education and approach our academics with honesty and integrity*. Indeed, integrity is critical to all that we do here at NYU Stern. As members of our community, all students agree to abide by the [NYU Academic Integrity Policies](#) as well as the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The Stern Code of Conduct and Judiciary Process applies to all students enrolled in Stern courses and can be found here: <https://www.stern.nyu.edu/uc/codeofconduct>.

To help ensure the integrity of our learning community, prose assignments you submit to NYU Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Student Conduct Policy (<https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html>).

GRADING INFORMATION FOR STERN CORE COURSES

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 have 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.

STUDENT ACCESSIBILITY

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility ([212-998-4980](tel:212-998-4980), mosescsa@nyu.edu) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

STUDENT WELLNESS

Our aim is for students to be as successful academically as they can, and to help them overcome any impediments to that. Bookmark the NYU Stern Well-being Resource Hub (<https://www.stern.nyu.edu/wellbeing>) for existing services at NYU and Stern covering a wide variety of topics including financial well-being, relationship well-being, mental well-being, and more. Any student who may be struggling and believes this may affect their performance in this course is urged to contact the Moses Center for Student Accessibility (see also the Student Accessibility section of this syllabus) at 212-998-4980 to discuss academic accommodations. If mental health assistance is needed, call the NYU's 24/7 Wellness Exchange hotline 212-443-9999. Furthermore, please approach me if you feel comfortable doing so. This will enable me to provide relevant resources or referrals. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

NAME PRONUNCIATION AND PRONOUNS

NYU Stern students now have the ability to include their pronouns and name pronunciation in Albert. I encourage you to share your name pronunciation and preferred pronouns this way. Please utilize this link for additional information: [Pronouns & Name Pronunciation](#)

RELIGIOUS OBSERVANCES AND OTHER ABSENCES

NYU's [Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. You must notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. Students may also contact religiousaccommodations@nyu.edu for assistance.

Except for religious observances or other absences that may be required in compliance with nondiscrimination law, **this class otherwise requires attendance and participation** and cannot accommodate conflicts. Please review all class dates at the start of the semester and review all course requirements to identify any foreseeable conflicts with exams, course assignments, projects, or other items required for participation and attendance. If you are aware of a potential conflict, it is strongly recommended that you do not take this class.

SESSION OUTLINE (subject to minor change)

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|-------------------|---|
| 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 (2/21) | 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 & 14 | Cost-Volume-Profit Analysis: A Planning Tool |
| Sessions 15 to 17 | Using Accounting Data In Decision-Making |
| Session 18 | <i>Review for Second Exam</i> |
| Session 19 (4/4) | SECOND EXAM |
| Session 20 | Management Control: Responsibility Centers & Accounting |
| Session 21 | Issues in measuring performance of Investment Centers |
| Sessions 22 & 23 | The Control of Engineered Cost Centers and Profit Centers: Flexible Budgets and Variance Analysis |
| Session 24 | Operational Control: The Balanced Scorecard |
| Sessions 25 to 27 | The Multi-Period Facility Replacement Decision (Capital Budgeting) |
| Session 28 | <i>Review for Final Exam</i> |
| FINAL EXAM | TBA |