

NEW YORK UNIVERSITY

Fall 2020: ACCT-UB.0004.002 Principles of Managerial Accounting T-Th 11 am – 12:15 pm
Classes will be held via Zoom (You must login to Zoom through NYU Classes)

Professor Ajay Maindiratta

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Off. Hrs: On Zoom T-Th 1:15 – 3 pm & 5:45 – 6:45 pm

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

Meeting ID: 611 050 7603 Password: Off Hrs

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Off. Hrs: Via Zoom by appointment

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 NYU Classes course menu). Once we fill the templates through our class discussion, completed documents will be posted on the NYU Classes course site for your review.

Attendance is mandatory. I expect students to join the Zoom session on time, turn on the video and mute the microphone.

Since we will unfortunately not be physically together in a classroom, I am going to ask each of you to drop by my Zoom office hours at least a couple of times through the semester so that we have a chance to chat one-on-one. To organize this, when the course starts, I will circulate a sign-up sheet for each of you to pick a date slot.

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 NYU Classes 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 TA’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. The online exam logistics will be as follows.

You may login to NYU Classes to take the exam anytime within the 24-hour window that begins at 11 am on the exam date. Once you log in, you will have a specified time limit (likely 1 hr 15 mins for the first two exams and 1 hr 50 mins for the final) to complete the exam and upload your submission. You cannot log out and then back in again. When the 24-hour window closes, the system will stop accepting submissions. So, you must login with enough time on hand to complete the exams.

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.

ACADEMIC ACCOMMODATIONS: To request a **disability accommodation** please reach out to the **Henry and Lucy Moses Center for Students with Disabilities** as early as possible (well before the first exam) for assistance. Telephone: 212-998-4980 Website: www.nyu.edu/csd Email: mosescsd@nyu.edu

SESSION OUTLINE (subject to minor change)

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 (10/1)	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 (11/3)	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	TBA