

NEW YORK UNIVERSITY
Stern School of Business: Undergraduate College
Fall 2012, Principles of Managerial Accounting
ACCT-UB.0002.02 : MW 9:30-10:45 am, Tisch UC 21
ACCT-UB.0002.04 : MW 11-12:15 pm, Tisch UC 21

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Office Hrs: MW 12:30-3:15 pm and by appointment
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Tutor's hours and location: 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 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 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).

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 (using the assignment feature in BB). Do not put off submission till the very last minute – BB does not sometimes co-operate. Group work

on homework is encouraged, but individual submissions are required. Solutions to Practice problems will be posted promptly on Blackboard to facilitate your learning, while 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, 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. If too many students come late too often, I may deny admission into the classroom five minutes after the class commences. **Notebook computers** may not be opened in class.

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 exams are cumulative in coverage.*

	<i>Alt 1</i>	<i>Alt 2</i>
First exam	50%	40%
Final exam	50%	60%

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

SESSION OUTLINE

Session 1 10/24	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. Var. Costs
Sessions 2 & 3 10/29 & 10/31	Absorption Costing: Product Costing for External Reporting in Manufacturing Firms Variable Costing: An alternative Management Control tool Absorption costing and Variable costing contrasted and reconciled
Session 4 11/5	Costing Of Incomplete Production - Job Order Costing The use of predetermined overhead rates. Under/Over absorbed overhead.
Session 5 & 6 11/7 & 11/12	Costing Of Incomplete Production (contd.) - Process Costing Review for First Exam
Session 7 11/14	FIRST EXAM
Session 8 11/19	Cost-Volume-Profit Analysis: A Planning Tool.
Session 9 11/21	Product Costing and Product Line Profitability Reporting in Multi-Departmental Multi-Product Settings: Conventional Methods
Session 10 11/26	Product Costing and Product Line Profitability Reporting in Multi-Departmental Multi-Product Settings: Activity Based Costing
Sessions 11 to 13 11/28, 12/3 & 12/5	Using Accounting Data In Decision-Making
Session 14 12/10	Review for Final Exam
Session 15 12/12	FINAL EXAM