



MANAGEMENT ACCOUNTING AND CONTROL

THIRD TRIMESTER ACADEMIC COURSE 2010-2011

Timetable:

Monday, 12:00-13:30

Wednesday, 8:30-10:00

Friday, 8:30-10:00

Aim of the Course

It is virtually impossible for managers to function without information. Information is vital for the management process, and accounting is one of the major information systems within any organization. A sound understanding of accounting is absolutely necessary for managers to fulfill their organizational roles responsibly and competently. This course will help you understand basic accounting concepts and know how to use accounting information to be able to manage effectively.

Course Content

Managers need an information system that will identify problems, such as the possibility of cost overruns or the inability to implement the plans for a factory building and a big order timely delivery. Accounting information can also be useful in identifying solutions to managerial problems. For instance, it can help a manager decide whether to reduce prices and increase advertising to improve profitability or whether to automate or not. Additionally, accounting information can help managers assess how well things are going within the organization, such as quantifying the firm's control of quality costs or evaluating the efficiency of a sub-unit.

The management process includes the following main activities: (1) planning, (2) decision-making, and (3) controlling. We will consider in details these three activities over the term in three separate parts of the course.

Course outline

Chapter 0: Introduction. Managerial accounting and control: definition and uses.

Part 1. Cost accumulation and product costing

Chapter 1: Cost concepts and terminology. Basic cost concepts. Product/Period costs. Direct/Indirect costs. Variable/Fixed costs. Relevant costs. Sunk costs. Opportunity costs.

Chapter 2: Job Costing. Job-order costing. Cost assignment, cost allocation and allocation bases.

Chapter 3: Activity Based Costing. Differences between job costing and ABC costing. Activities and cost allocation.

Chapter 4: Process Costing. Process costing. Conversion costs and equivalent units. Process costing and inventory.

Part 2: Managerial decision making.

Chapter 5: Cost-volume-profit analysis (CVP). CVP analysis. Contribution margin. Break-even point. Target income. Operating leverage. One product CVP analysis and multiple product CVP analysis.

Chapter 6: Relevant Costs. Relevant costs applications. Make or buy decisions. Keep or drop decision. Special order decisions. Product mix decisions.

Part 3: Planning and control

Chapter 7: Budgeting for planning and control. Description of budgeting. Preparing the budget.

Chapter 8: Variance analysis. Unit standards. Standard product costs. Efficiency variances. Standard and Flexible budgeting.

Course format

We will cover each of these topics in class. The **lectures** will present the main concepts with references to real business situations. Additionally, we will examine some numerical examples to facilitate the process of understanding.

In the **practical session** on the topic (usually at the end of the Chapter) we will: (1) step by step solve numerical exercises, (2) discuss newspaper articles (i.e., articles published in The Economist, Financial Times or BusinessWeek) which present the importance and managerial applications of our theoretical constructs and (3) discuss business case studies. The idea of this practical session is to strengthen our understanding on managerial accounting with good intuition and advanced technical

skills.

Grading policy

The final exam will be based on the lecture notes, exercises and case material.

The course is graded from 0 to 10 points. Passing the course necessitates a minimum average grade of 5 points.

Evaluation at the ordinary term

At the ordinary term, the final grade for the course will be determined on the following basis:

Class participation	15%
Case Presentation	20%
Mid-term exam	25%
Final exam	40%

Evaluation in September

For students retaking the exam in September, the grading basis will be as follows:

Class participation and case presentation	10%
September exam	90%

Specifications on the Case Presentation

1. There is a group case presentation during the course (10%)
2. Every student must do, individually, all the cases during the course. If students don't present one of the mandatory cases this 10% will be 0%. The best solved case will be punctuated for each student (10%).

Course Literature

Horngren, C.T., S.M. Datar and G.Foster (1994). *Cost Accounting: A managerial emphasis*, 12th ed. Pearson Prentice Hall. ISBN 0-13-149538-0

Horngren, C. T., A. Bhimani, G. Foster and S. M. Datar (1999) *Management and Cost Accounting*, 9th ed., Upper Saddle River, NJ: Prentice Hall.

Davila A. and D.Oyon (2009). *MFD, Malea Fashion District: A new way to learn managerial accounting*. Vease Ediciones. ISBN 978-84-612-8317-0

Note: If you prefer or have access to a particular book on management accounting, please, come to me and I will advise you how appropriate it is for this course.

Provisional content schedule of our classes

Date	Day	Begins	Ends	Chapter
28 March	Monday	12:00	13:30	Chapter 0- Introduction
30 March	Wednesday	8:30	10:00	Chapter 1- Costs
01 April	Friday	8:30	10:00	Chapter 1- Costs
04 April	Monday	12:00	13:30	Chapter 1- Costs
06 April	Wednesday	8:30	10:00	Chapter 2- Job Costing
08 April	Friday	8:30	10:00	Chapter 2- Exercises Job Costing
11 April	Monday	12:00	13:30	Chapter 3-Activity Based Costing
13 April	Wednesday	8:30	10:00	Chapter 3-Activity Based Costing
15 April	Friday	8:30	10:00	Chapter 3-Exercises Activity Based Costing
18 April	Monday	12:00	13:30	Chapter 4-Process Costing
20 April	Wednesday	8:30	10:00	Chapter 4-Process Costing
27 April	Wednesday	8:30	10:00	Chapter 4-Process Costing
29 April	Friday	8:30	10:00	Chapter 4- Exercises Process Costing
02-may	Monday	12:00	13:30	Review Case Study
04-may	Wednesday	8:30	10:00	MIDTERM EXAM
06-may	Friday	8:30	10:00	Solution Midterm Exam
09-may	Monday	12:00	13:30	Chapter 5- CVP Analysis
11-may	Wednesday	8:30	10:00	Chapter 5- CVP Analysis
13-may	Friday	8:30	10:00	Chapter 5- Exercises CVP Analysis
16-may	Monday	12:00	13:30	Chapter 6- Relevant Costs
18-may	Wednesday	8:30	10:00	Chapter 6- Relevant Costs
20-may	Friday	8:30	10:00	Chapter 6- exercises Relevant Costs
23-may	Monday	12:00	13:30	Chapter 7- Budgets
25-may	Wednesday	8:30	10:00	Chapter 7- Budgets
27-may	Friday	8:30	10:00	Chapter 8- Variance analysis
30-may	Monday	12:00	13:30	Chapter 8- Variance analysis
01 june	Wednesday	8:30	10:00	Chapter 8- Variance analysis
03 june	Friday	8:30	10:00	Chapter 8- Variance analysis
06 june	Monday	12:00	13:30	Chapter 8- Exercises Variance analysis
08 june	Wednesday	8:30	10:00	Review Case Study
10 june	Friday	8:30	10:00	Review Case Study
14 june	Tuesday	12:00	13:30	Review Case Study