



AY 2017-18

TERM-2

MANAGERIAL ACCOUNTING - MyC103

PROFESSOR **Sudhir Kamath**

PROFESSOR **Pankaj Gupta**

COURSE INTRODUCTION

Management accounting is essential for making effective and economically sound business decisions. This course focuses on cost accounting and management control systems with specific emphasis on producing and applying such information for day-to-day decision making.

COURSE OBJECTIVES

At the end of this course, students will

- (1) Be familiar with the goals, features and design of cost accounting systems
- (2) Understand classification of costs, flow of costs and control of costs.
- (3) Understand the significance of planning and budgeting and know how to create budgets and profit plans.
- (4) Be familiar with measuring and managing costs in different types of organizations in different industries.
- (5) Understand how to collect, aggregate, parse and understand internally produced management information that is critical for decision making.

COURSE SCHEDULE

SESSION 1

Chapters 1 and 2

- Course overview, policies, and grading.
- The need for managerial accounting;
- Elements of management control;
- Costs, benefits and context;
- New management themes around the globe
- General cost classifications;
- Direct vs. indirect costs;
- Cost drivers and cost management;
- Cost classification for cost behavior;
- Total costs and unit costs

SESSION 2

Chapters 2 and 4

- Manufacturing costs
- The building block concept of costing systems;
- Job costing and process costing;
- Job-order costing in manufacturing;
- Job-order costing- normal costing;
- Budgeted indirect costs.

Problem Set

SESSION 3

Chapters 3 and 9 (Appendix pp. 349-350)

- Revenue and cost drivers: general case and specific case;
- Cost-Volume-Profit (CVP) assumptions;
- The breakeven point (BEP);
- The PV graph;
- Sensitivity analysis and uncertainty;
- Cost planning and CVP;
- Effects of sales mix on profit;
- Role of income taxes
- Contribution margin and gross margin;
- Breakeven point and NPV.

Problem Set

Cases: Daniel Dobbins Distillery, Inc. (HBS 9-189-065)

SESSION 4

Chapter 14 (pp. 524-532) and Chapter 9 (336-346)

- Purpose of cost allocations;
- Cost-benefit issues and other contextual factors;
- Allocating costs from one department to another;
- Denominator level capacity concepts;
- Fixed capacity analyses;
- Downward demand spiral.

Case: Mueller-Lehmkuhl GmbH (HBS 187048-PDF-ENG)

SESSION 5

Chapter 5

- Under-costing and over-costing;
- Product cost cross-subsidization
- Refining a cost system;
- Activity-Based-Costing (ABC);
- Cost hierarchies;
- Traditional vs. ABC approach to designing a cost system.

Problem Set

Case: Insteel Wire Products: ABM at Andrews (HBS 198087-PDF-ENG)

SESSION 6

Chapters 6

- Strategic and Operating Plans
- Master Budget and its components
- Budget Cycle
- Behavioral Considerations
- Profit Plans

Problem Set

Case: Cafes Monte Bianco (HBS 9-198-088)

SESSION 7

Chapters 7 and 8

- Flexible budgets;
- Standard Costing;
- Variance Analysis

Problem Set

SESSION 8

Chapters 11 and 12

- Information and the decision process;
- The meaning of relevance;
- Illustration of relevance;
- Insourcing vs. outsourcing and make-vs.-buy;
- Sunk costs, outsourcing and capacity constraints;
- Relocation decisions.
- Target costing and target pricing;
- Value engineering.

Problem Set

Case: Komatsu Ltd-Target Costing System (HBS 9-194-037)

SESSION 9

Chapter 9 (pp. 322-336) and Chapter 14 (pp. 461-465)

- Overview of variable and absorption costing;
- Capsule comparison of stock costing methods;
- Performance measures and absorption costing;
- Effect on financial statements;
- Customer profitability analysis.
- Benchmarking.

SESSION 10

- Exam

EVALUATION CRITERIA

Item	Percent
Class participation / quizzes / Group cases & presentation	50
Final Exam	50
<i>Total</i>	<i>100</i>

Book:

Cost Accounting – A Managerial Emphasis by Charles Horngren, Srikanth Datar, and Madhav Rajan. 14th or 15th Ed, Pearson