

Academic year: 2013/2014

Management Accounting

Course number: 102373

ECTS: 6

Contact

Coordinator: Dr. John Slob

E-mail: EricJohn.Slob@uab.cat

Language

English

Prerequisites

Before taking this course, it is recommended to have followed the course “102374 – Cost Accounting”

Objectives, competences and learning outcomes

This course will

- Introduce students to the concept of a master budget and help them understand its major benefits to an organization
- Describe major components of a master budget
- Show how to prepare a budgeted income statement and its supporting schedules
- Show how to elaborate standard costs
- Describe the difference between a static budget and a flexible budget
- Introduce students to variance analysis
- Show how to determine flexible-budget and sales-volume variances
- Show how to decompose flexible-budget variances into price and efficiency components
- Show how to decompose volume variances into market-size, market-share and sales-mix components
- Help students discover how the relationship between costs, activity level and profit of a business relates to budget preparation and variance analysis
- Explain presentational differences arising from Full vs Direct Costing
- Describe the logic of standard costing systems and enable students to apply this to simple settings
- Clarify how to differentiate relevant costs and revenues from irrelevant costs and revenues for decision making purposes
- Help students discover the importance of the time horizon of analysis in decision making

Course content

Topic 1. PLANNING, BUDGETS, AND BUDGETARY CONTROL

1.1. Definition and role of budgets

1.2. Operating budgets and budgeted financial statements

1.3. Budgetary control as a management tool

Topic 2. PLANNING AND BUDGETING IN TRADING COMPANIES

2.1. Steps in preparing an operating budget

- 2.2. The sales budget
- 2.3. Planning and budgeting inventory levels and purchases
- 2.4. Planning and budgeting operating costs
- 2.5. The cash budget
- 2.6. Budgeted financial statements

Topic 3. PLANNING AND BUDGETING IN MANUFACTURING COMPANIES

- 3.1. Usefulness of cost standards
- 3.2. Setting cost standards
- 3.3. Standards for total vs unit costs
- 3.4. Production and inventory-level planning in manufacturing companies
- 3.5. Budgeting costs of resources used in the production process
- 3.6. The budgeted income statement using Full Costing vs Direct Costing

Topic 4. BUDGETARY CONTROL

- 4.1. The “ex-post” use of budgets for control purposes
- 4.2. Static-budget variances
- 4.3. Flexible budgets
- 4.4. Flexible-budget variances and sales-volume variances
- 4.5. Links to cost-volume-profit analysis
- 4.6. Particular issues when using Full Costing

Topic 5. DECOMPOSITION OF THE VOLUME VARIANCE

- 5.1. Profit impact of changes in sales price, sales quantity and sales mix
- 5.2. Price, volume, market-size, market-share and product-mix variances
- 5.3. Links to cost-volume-profit analysis in a multi-product setting

Topic 6. DECOMPOSITION OF THE FLEXIBLE BUDGET VARIANCE

- 6.1. Price and efficiency variances
- 6.2. Spending variances
- 6.3. Effects of inventories

Topic 7. STANDARD COSTS AND THE ACCOUNTING INFORMATION SYSTEM

- 7.1. Recording of transactions using standard costs
- 7.2. Recording variances
- 7.3. Differences between Full-Costing and Direct-Costing
- 7.4. End-of-period adjustments

Topic 8. ACCOUNTING INFORMATION FOR DECISION MAKING

- 8.1. Decisions about products and prices
- 8.2. The concept of relevance in accounting
- 8.3. The link between long-run and short-run decisions
- 8.4. Analysis of common types of decision in organizations

Teaching methodology

Theoretical presentations by the instructor will be combined with the discussion of cases and readings and the solution of practical exercises. On a regular basis

students will be assigned readings and problems, and they are expected to prepare these in advance of or during class sessions, as instructed.

Learning activities

Class sessions (theory):	30 hours	(1,2 ECTS)
Class sessions (practice):	15 hours	(0,6 ECTS)
Tutoring:	7,5 hours	(0,3 ECTS)
Self study:	90 hours	(3,6 ECTS)
Evaluation:	<u>7,5 hours</u>	<u>(0,3 ECTS)</u>
TOTAL	150 hours	(6 ECTS)

Assessment criteria

Evaluation of this course will be carried out on a continuous basis. In particular, there will be three partial exams (weighing each 25% in the final grade) and every week exercises will be collected (25% weight).

- The partial exams comprise about 25 questions, which can be theoretically orientated (conceptual questions) or have a more practical nature (computational problems). Some of the exam questions will provide multi-choice answers and others will be open ended.
- The exercises will be collected by the instructors during the course, typically during the practical class sessions. If an exercise is assigned to be solved in class, it will only be collected during that particular class session; therefore these exercises cannot be handed in before or after the session, nor can they be handed in on behalf of the student by a third person.

The overall grade for the course is obtained by averaging the grades obtained in the partial exams and the exercises collected. This average will only be calculated for students who

- have obtained a score of 4 or higher on each of the three partial exams, AND
- have handed in at least 75% of the assigned exercises.

If a student has obtained a score lower than 4 on, at most, one of the three partial exams, he or she will be allowed to repeat that particular test.

Also students, who after averaging the four grade components obtain a final grade between 4 and 5, will be offered a reevaluation, consisting of the repetition of one of the three partial exams. The result of this reevaluation will be qualitative: *Pass* or *Fail*. If the result is *Pass*, the overall numerical grade for the course will be a 5; if the result is *Fail*, the overall numerical grade for the course will be the score that had been obtained before the reevaluation.

In case a student does not fulfill the two criteria for averaging specified above, he or she does not pass the course, and will be given as overall numerical grade the lower of 4 or the average of the available scores for the different grade components.

A student, who has taken part in more than one of the partial exams, will be considered as taking the course, and therefore will be given a numerical grade as described above. However, students taking part in only one or none of these tests will be considered as “not presented”.

Assessment activities

- three partial exams (25% each)
- exercises (25%).

Bibliography

Required textbook

- Bhimani A, Horngren CT, Datar SM and Rajan M. Management and Cost Accounting, 5/E. Financial Times Press 2012. ISBN-13: 978-0-273-75745-0

Also available as CourseSmart eTextbook:

(<http://www.coursesmart.co.uk/9781447916604>).

Additional readings

- Atkinson AA, Banker RD, Kaplan RS and Young, SM. Management Accounting. Prentice-Hall.
 - Anthony RN, Hawkins DF and Merchant KA. Accounting: Text and cases. McGraw-Hill.
 - Drury, C. Management and Cost Accounting. Thomson Learning.
 - Drury, C. Management Accounting for Business Decisions. Thomson Learning.
 - Hilton, RW. Managerial Accounting. McGraw Hill.
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