This course is a follow-up to the Principles of Managerial Accounting course.

Recall that the managerial accounting function is generally 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. 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 “Principles” course focused on decision making using accounting information in relatively simple settings. The **objective** of this course is to:

- Further your ability to critically understand a firm's reporting systems, in particular the strengths and weaknesses of its cost accounting systems, as well as further your ability to analyze business decisions systematically and logically.

  *Going beyond the Principles course, we examine:*
  
  1. short-term capacity management and the maximization of contribution margin “throughput” versus long-term product planning using Activity Based analysis
  2. single person decision making under uncertainty and the value of information,
  3. the limitations of conventional/Activity Based profitability statements in the presence of scope economies and some common sources of scope economies
  4. long-horizon decisions (capital budgeting)

- Introduce you to the attention directing contributions of management accounting, including frameworks such Standard Costing, Quality Reporting and The Balance Scorecard.

- Introduce you to topics in Management Control including the strengths and weaknesses of common divisional performance measures and cost allocation schemes for co-ordination and control, and basic agency theory.

**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).

**PEDAGOGY & CLASSROOM PROCEDURES**: A mix of Lectures, Problems and Cases will be employed. Questions and (relevant) comments are encouraged at all times. *It is important to keep up with the materials. Please make good use of my office hours for help if you are having difficulties.*

**HOMEWORK**: Homework will be assigned for each topic after it has been covered in class. Homework does not have to be turned in for evaluation. Instead compare your own work to the posted solution. Bring up any remaining questions at the beginning of the following class session. Copies of the homework and solutions will be posted online on BLACKBOARD as we go along.
QUIZZES: To encourage you to attend every class, be on time, class and keep up with the material, as well as give you and me ongoing feedback, we will have a quiz almost every class. The quiz will cover past material and be anywhere from 15 to 30 minutes in duration. It will be held generally towards the beginning of class after questions have been taken. To allow for the occasional absence on your part due to uncontrollable events, I will count the best 80% of your quizzes towards your evaluation. As such there will be no make up for missed quizzes for any reason whatsoever.

EVALUATION: Quizzes (tentatively best 80%) 67%
Balanced Scorecard group assignment 8% (Form groups of 5)
Final Exam 25%

Session Outline (Subject to minor changes)

Session 1 (9/5)  Product Costing and Product Line Profitability Reporting in Multi-Departmental Multi-Product Settings: Conventional Methods

Sessions 2 & 3 (9/7 & 9/12)  Activity Based Costing (Titanic Auto Case)

Session 4 & 5 (9/14 & 9/19)  Short-term Capacity Management vs. Long-term Product Planning: Maximizing Cont. Margin throughput vs. Activity Based Cost Analysis

Sessions 6 & 7 (9/21 & 9/26)  Single Person Decision Making under Uncertainty

Sessions 8 & 9 (9/28 & 10/3)  Value of Information in Single Person Decision Making under Uncertainty

Session 10 & 11 (10/5 & 10/10)  Resource Planning under Uncertainty and Economies of Scope: Limitations of Conventional/Activity Based Profitability Statements

Session 12 & 13 (10/12 & 10/17)  The Balanced Scorecard

Session 14 (10/19)  Topics in Operational Control: Quality Costs; Environmental costs; Value Chain Costing; Life Cycle Costing

Session 15 (10/24)  The Balanced Scorecard submission
(Group Presentation: Presentation group picked at random)

Session 16 (10/26)  Management Control: Responsibility Centers & Accounting Issues in measuring performance of Investment Centers

Session 17 & 18 (10/31 & 11/2)  The Control of Engineered Cost Centers: Flexible Budgets and Variance Analysis

Session 19 (11/7)  Issues in Cost Allocation for Shared Resources

Session 20 to 23 (11/9 to 11/21)  Performance Measures and Management Control: The Agency (or Contract) Theory perspective

Session 24 & 25 (11/28 & 11/30)  Capital Budgeting

Session 26 & 27 (12/5 & 12/7)  Capital Budgeting with Income Taxes

Session 28 (12/12)  Review of Practice exam for The Final

TBA  FINAL EXAM