NEW YORK UNIVERSITY  
Stern School of Business: Undergraduate College  
Summer 2006, C10.0002.01 Managerial Accounting, M-W 6-9pm, Tisch LC10

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Office Hrs: MWF 4-6 pm
Room 315 Tisch Hall

Tutor: TBA  
Tutor's hours and location: TBA

COURSE OBJECTIVES

Content Objectives: 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. 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.)

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 traditional 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). However, if you require the comfort of a textbook, the recommended one is: Managerial Accounting by Garrison and Noreen, 9th Edition (Irwin-McGraw-Hill). The related chapters for each session are noted in the attached session outline. 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: So that you can test your comprehension of the subjects we cover, I will assign homework at the end of each class (posted on Blackboard). 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.
IN CLASS QUIZZES: A brief quiz (10 to 15 mins) will be held each session covering previous material. These quizzes will count towards your evaluation. To allow for the occasional missed class, I will drop the worst 1 of your 5 quizzes. As such there will be no make-up quizzes.

ATTENDANCE: Attendance will be taken both before and after the mid class break.

EVALUATION: Quizzes 40%. Final Exam (cumulative) 60%.

SESSION OUTLINE

Session 1 (5/15)  INTRODUCTION & ROLE OF MANAGERIAL ACCOUNTING. Chapter 1
Overview of managerial functions, managerial informational needs, and management accounting's role in servicing these needs.

COST TERMS, CONCEPTS & CLASSIFICATIONS. Chapter 2
Costing objects; Direct vs. Indirect Costs; Product vs. Period Costs; Fixed vs. Var. Costs

ABSORPTION COSTING: Product Costing for External Reporting in Manf. Firms
Effects of changing production volume on product costs under absorption costing

Session 2 (5/17)  VARIABLE COSTING. Reading: Chapter 6
Absorption costing and Variable costing contrasted and reconciled
Variable Costing as an alternative Management Control tool

COSTING OF INCOMPLETE PRODUCTION - JOB ORDER COSTING
Reading: Chapter 3 (manufacturing and non-manufacturing settings)
The use of predetermined overhead rates. Under/Over absorbed overhead.

Session 3 (5/22)  COSTING OF INCOMPLETE PRODUCTION (Contd.) - PROCESS COSTING
Reading Ch 4.

PRODUCT COSTING AND PRODUCT LINE PROFITABILITY REPORTING IN MULTI-DEPARTMENTAL MULTI-PRODUCT SETTINGS: Conventional methods

Session 4 (5/24)  PRODUCT COSTING AND PRODUCT LINE PROFITABILITY REPORTING IN MULTI-DEPARTMENTAL MULTI-PRODUCT SETTINGS Contd.
Activity Based Costing: Case: Titanic Auto  Reading: Chapter 8.
COST-VOLUME-PROFIT ANALYSIS: A PLANNING TOOL. Reading: Chapter 6

Sessions 5 (5/29)  USING ACCOUNTING DATA IN DECISION-MAKING  Reading: Chapter 13

Sessions 6 (5/31)  USING ACCOUNTING DATA IN DECISION-MAKING contd.
Final Review

Session 7 (6/5)  Final Exam