NEW YORK UNIVERSITY
Stern School of Business
PRINCIPLES OF MANAGERIAL ACCOUNTING
Summer 2008

Instructor    : Karthik Balakrishnan
Mail         : kbalakri@stern.nyu.edu

Office Hours : To be Decided in Class 1

Class Hours  : Mondays-Wednesdays 6 PM – 8 PM
Room         : Tisch -UC61

COURSE OBJECTIVES

An understanding of the evolving role that managerial accounting has played and is expected to play in servicing the informational needs of managers in their planning, organizing, and controlling functions. Planning encompasses short- and long-term operating, tactical, and strategic decision making. The managerial accounting function can be conceived of as serving three somewhat distinct but related purposes:

Two key themes through the course are the following: While "cost accounting" systems were first introduced to serve managerial needs, they were soon also used for computing product costs for inventory valuation for external reporting. The latter purpose then came to dominate the orientation of the single system one commonly found in most organizations. A single reporting system cannot perfectly serve all four needs. However, reflecting organizational inertia and the high information processing costs of an earlier era, one often still finds a single system in place, primarily oriented towards the GAAP requirements for external reporting. With advances in information technology, this is changing and the ability to analyze, aggregate, and report along many dimensions can be expected to improve. The appropriate dimensions will vary with the setting at hand and universal prescriptions are not appropriate. We shall further explore this theme in the context of the new competitive and technological environment. The cost of alternative in a decision setting is the sacrifice involved in adopting it -- which is context dependent. However detailed the reporting system, not every context can be anticipated and reported upon. Periodic reporting systems can, at best, direct attention and support a preliminary conclusion. Managers will generally need to access more raw data to conduct a sound and definitive analysis. The key notions here are those of sunk costs, out-of-pocket costs, incremental costs, relevant costs (and benefits), 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 so as to impart a thorough appreciation of the contributions and limitations of historical product costs for decision making.

TEXT (Required): Managerial Accounting by Garrison, Noreen AND Peter Brewer
Course Delivery:

Considering this is a principles course, I would typically be lecturing most of the time. However, I strongly believe in “active learning”. I believe that students take away most from the course when they are actively engaged during the class. Accordingly, we will be having a lot in-class problem solving sessions and discussions.

I do not expect to lecture for the whole two hours each time. The remainder of the class time I will either discuss problems I handed out the lecture before or be available for questions.

Given the short time period available, this is a relatively intensive course. It is important to keep up with the material as we go through the course.

Some Pointers:

The easiest way to learn accounting is to keep up with the material weekly. Accounting is difficult to learn by cramming. Spend at least an hour each day on this course outside class. You will understand the material better than if you try to do it all right before an exam.

Think about how what you are learning helps you now and how it will help you in the future.

Before and after each lecture think about the following questions:

- How does the material fit into the "big-picture" issues in business?
- How could this material help me make better decisions?
- How does this material relate to what I am learning in other courses?
- How could I use this knowledge at a future employer?
Grading Policy and Description

Percentage breakdown or point breakdown of how grade will be determined should be included. For core classes include Undergraduate Grading Guideline for Core Courses:

At Stern, we want to ensure fair and consistent grading across core courses. As such, grades for this course will be distributed following the Stern Grading Guidelines for Core Courses at the Undergraduate College.

25-35% A’s – awarded for excellent work
50-70% B’s – awarded for good or very good work
5-15% C’s (or below) – awarded for adequate or below work

Makeup of Course Grade:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Exam</td>
<td>40%</td>
</tr>
<tr>
<td>Quizzes (2 Quizzes * 20% each)</td>
<td>40%</td>
</tr>
<tr>
<td>Attendance and Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Homework Assignments</td>
<td>10%</td>
</tr>
</tbody>
</table>

COURSE POLICIES

Attendance

• Class attendance is mandatory and part of a student’s grade. Absences may be excused only in the case of emergency. Recruiting activities are not acceptable reasons for class absence.

Class Participation

• Individual and Group participation is an essential part of learning in this course. Students are expected to participate in all facets of classroom learning.

Reading/HomeWork

• Students are expected to come to class prepared having read text and assigned readings prior to class. Homework, case studies, and other assignments are expected to be completed and handed in on time.

Late Assignments and Make-up Policy

• Late assignments will either not be accepted unless due to documented serious illness or family emergency or will incur a grade penalty unless due to documented serious illness or family emergency.
Classroom Norms

- Laptops, cell phones, Smartphones and other electronic devices are a disturbance to both students and professors. All electronic devices must be turned off prior to the start of each class meeting.

ETHICAL GUIDELINES

Student Code of Conduct

All students are expected to follow the Stern Code of Conduct (http://www.stern.nyu.edu/uc/codeofconduct)

A student’s responsibilities include, but are not limited to, the following:

- A duty to acknowledge the work and efforts of others when submitting work as one’s own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.

- A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

STUDENTS WITH DISABILITIES

- Students whose class performance may be affected due to a disability should notify the professor immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities http://www.nyu.edu/csd/ to accommodate their needs.
TOPICAL OUTLINE AND COURSE SCHEDULE

I. INTRODUCTION:

5/19 - ROLE OF MANAGERIAL ACCOUNTING Overview of managerial functions, managerial informational needs, and management accounting's role in servicing these needs. Differences between the informational needs of managers and outsiders, and between managerial accounting and financial accounting.  
Reading: Chapter 1

5/21 - COST TERMS, CONCEPTS & TERMINOLOGY  
Costing objects; Fixed vs. Variable Costs; Direct vs. Indirect Costs Product vs. Period Costs.  
Reading: Chapter 2  
Homework Assignment 1: Due 5/28

II. PRODUCT COSTING SYSTEMS


5/28 - JOB ORDER & PROCESS COSTING  
Reading: Chapter 3, Skim Chapter 4  
Homework Assignment 2: Due – 6/2

6/2 ACTIVITY BASED COSTING  
Reading: Chapter 8

6/4 Section Review and Quiz 1

III. COST INFORMATION FOR DECISION MAKING

The critical role of cost information is analyzing alternative courses of action in managerial decisions is discussed.

6/9 COST VOLUME PROFIT ANALYSIS & DECISION MODELS  
Reading: Chapter 6  
Homework Assignment 3: Due – 6/11
6/11 PROFIT ANALYSIS & DECISION MODELS
Reading: Chapter 6 & Chapter 13

6/16 Section Review and Quiz 2

III. COST PREDICTION AND PROFIT PLANNING

6/18-6/23 - BUDGETS AND PROFIT PLANNING FOR FUTURE OPERATIONS
The role of budgets in planning, control, and decision making is discussed. The
importance of the master budget, its major components, and interrelationships of the
various components is examined.
i. Preparing a Revenue Budget
ii. Preparing a Cost Budget
iii. Capital Budgeting
Reading: Chapter 9
Homework Assignment 4: Due 6/23
6/23 Final Review

6/25 In-Class Final Exam