COURSE OUTLINE

Spring 2005

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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.

An ability to think systematically about how the existing reporting systems in any given setting
can be improved upon so as to better serve managerial informational needs for planning and
control.

PEDAGOGY & CLASSROOM PROCEDURES:
A mix of Lectures, Problems and Cases will be employed. You should read the assigned readings before class and bring the text to class. Our discussions will supplement the text and often not go over everything in the text. You are nevertheless responsible for all the material assigned from the text. Questions are encouraged at all times. Class participation is essential. You will be invited by name to respond to questions or make comments. Regularly scheduled homework and quizzes are an integral part of your learning experience and also your evaluation.

EVALUATION:

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<tr>
<td>Final Exam</td>
<td>55 %</td>
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<td>Quizzes</td>
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<td>Homework Assignments</td>
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REVISED COURSE SCHEDULE

I. INTRODUCTION:
3/8 - 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.
   Read Chapter 1

3/10 - COST TERMS, CONCEPTS & TERMINOLOGY
   Costing objects; Fixed vs. Variable Costs; Direct vs. Indirect Costs Product vs. Period Costs.
   Reading: Chapter 2
   Homework Assignment: E2-4, P2-9, P2-12

II. PRODUCT COSTING SYSTEMS

3/22-3/24 3/29, JOB ORDER COSTING
   Reading: Chapter 3
   Homework Assignment: E3-7, E3-16, P-3-17

3/31- ACTIVITY BASED COSTING
   Reading: Chapter 8
   Homework Assignment: E8-3, E8-10, P8-13

4/5-4/7 PROCESS COSTING SYSTEMS
   Reading: Chapter 4
   Homework Assignment: E4-2, E4-6, P4-14
III. COST INFORMATION FOR DECISION MAKING

4/12, 4/14
- COST VOLUME PROFIT ANALYSIS & DECISION MODELS
  Reading: Chapter 6
Homework Assignment 5: E6-1, E6-3, P6-9

4/19, 4/21, 4/26
- COST VOLUME PROFIT ANALYSIS & DECISION MODELS
  Reading: Chapter 6 & Chapter 13
  Homework Assignment: P13-15, P13-16, P13-20

4/28 – Final Exam