

MANAGERIAL ACCOUNTING – 6051 (BIEM)

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L. BOCCONI UNIVERSITY

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I Semester

Course objectives

This course covers the techniques for interpreting and analyzing financial and accounting data for management control. It is aimed to present the methodologies to examine financial information, perform cost-volume-profit analysis, profit planning, budgeting, and control overhead costs. It provides a basic understanding of accounting information needed by management in the control of operations.

After completing this course, the students should be able to:

- Appreciate the role and limitations of quantitative accounting techniques as an aid to management decision-making;
- Understand the relationships between costs and revenues at various activity levels;
- Construct and use management accounting models to analyze business decisions and advise on the most appropriate course of action;
- Appreciate the role of the planning and control mechanisms in the formulation of standards and budgets and in assigning responsibility to managers;
- Understand the principles of cost allocations for the purpose of stock valuation, and be able to evaluate the usefulness of different cost concepts and bases.

Lectures (theory and exercises) are designed to help you master the technical aspects of the topics covered.

Course Contents

Introduction to Management Accounting Concepts

- Discuss the evolution of management accounting.
- Define and illustrate cost objects, direct costs, and indirect costs.
- Understand the associations between cost drivers, variable costs, and fixed costs, and the major assumptions underlying the definitions of variable and fixed costs.
- Review the concepts of contribution margin, breakeven point, and cost-

volume-profit analysis.

- Apply cost concepts in an actual decision-making context to understand the effects of cost accounting methods on perceived product profitability, and the use of cost data in operational and marketing decisions.

Cost Accounting Systems

- Understand the differences between traditional cost systems and Activity-Based Costing (ABC).
- Introduce cost allocation and the computation of overhead rates.
- Distinguish between job costing and process costing, and relate their value to the nature of the underlying production process.

Budgets and Standard Cost Systems - Analysis of Variances

- Introduce flexible budgets and standard costs as aids for planning and control.
- Analyze the relationships between planning, programming and budgeting systems.
- Understand the functioning of standard costing systems.
- Learn how variances between actual and standard costs can be broken into price and efficiency variances to assist in assigning responsibility and examining the variances' causes.
- Explain the computation and meaning of volume variances and the effects of capacity utilization on performance evaluation.

Decentralization and Performance Measurement

- Introduce the reasons behind decentralization and understand the concept and various forms of responsibility accounting.
- Examine more generally the nature of performance evaluation in business units.
- Understand the nature of intra-firm transactions and the importance of proper accounting for them.
- Analyze the optimality of various methods of determining prices for such transactions (transfer pricing policies).

Teaching staff

	Room number	Consulting hours	Telephone	e-mail
Massimo Aielli	Building: via Roentgen Floor 5 th Room B2 09	Tuesday at 13:00	02 5836-5039 02 5836-6407	massimo.aielli@sdabocconi.it
Juhani Vaivio	Building: via Roentgen Floor 5 th	To be defined	02 5836-1	juhani.vaivio@hse.fi

Class times and locations

Day	Classroom	Time	Dates
Wednesday	Manfredini	08.45-10.15	From 16/09/2009 to 16/12/2009
Friday	Manfredini	10.30-12.00	From 18/09/2009 to 11/12/2009
Thursday	Manfredini	14.30-16.00	08/10/2009 and 26/11/2009

Consultation hours

Students can find information on staff consultation hours on the website: <http://www.unibocconi.it>. You are encouraged to seek help from the staff member teaching on this course during their regular consultation hours. Staff will not conduct any consultations by e-mail, unless specifically agreed upon. You may, however, phone staff during their consulting hours.

Required material

The reference text-book is:

Horngrén, Sundem, Stratton, Burgstahler, Schatzberg, *Introduction to Management Accounting*, Fourteenth Edition, Pearson Prentice Hall, 2008 (chapters 1-14 version or chapters 1-17 version).

Web sites

To have access to the course materials the link is:

<http://lwp.unibocconi.it/lwp/workplace/!ut/p/.scr/Login>

Performance in class and attendance requirement

Students are expected to participate in the class discussion by means of qualitative contributions.

It is important to bring the book in class, because a selected number of exercises will be solved during the lessons.
Students are expected to be regular and punctual.

Evaluations and grading

The course grade is based on one of the two following exam formats (according to the student's choice):

Format one (suggested for attending students)

Two mid-term written tests.

You pass the exam if **both tests are positive**. The final grade will be the **average** of the two grades (rounded) + additional points.

During the lessons **4 small optional assignments** will be distributed to students without notice. The assignments will be individually solved by students and returned to instructors after 10-15 minutes. Each assignment will receive a "pass or fail" grade. Each pass provide one additional point.

Format two (for non-attending students)

A final written exam.

In this case you need to **enter** one of the formal exam dates. The additional points accumulated during the lessons are not considered in this format.

The additional points, collected by students during the course, will be valid also for the exchange students session scheduled on 21st, December 2009.

In any case the additional points accumulated during the lessons are optional and NOT necessary to reach the maximum grade.

Schedule

If time constraints require, appropriate adjustments will be made in schedule and course calendar. The adjustments will be communicated in class. In any case, please make sure that you keep track of any adjustment, checking periodically the daily timetable of the class group on Bocconi website.

Course calendar

The following pages provide a detailed outline of the course.

MANAGERIAL ACCOUNTING - 6051 (BIEM)

Date	Ss	Topic	Materials	Ref.
16/9	1	Introduction <ul style="list-style-type: none"> • Course objectives • Course outline/class format • Grading The role of managerial accounting in the business organizations	Chapter 1 (2-14)* Chapter 1 (17-22)	HSSBS**
18/9	2	Cost volume and profit analysis	Chapter 2 (all + appendix 2A and 2B) Exercise***	HSSBS
23/9	3	Cost volume and profit analysis in a multiproduct scenario	Chapter 2 (all + appendix 2A and 2B) and Chapter 3 (92-100 and 107-109) Exercise	HSSBS
25/9	4	Cost management systems: traditional costing systems	Chapter 4 (all) Exercise	HSSBS
30/9	5	Cost management systems: activity-based costing systems	Chapter 4 (all) Exercise	HSSBS
2/10	6	Cost management systems: activity-based costing (follows)	Chapter 4 (all) Exercise	HSSBS
8/10 14.30	7	Relevant information and decision making: Marketing Decisions	Chapter 5 (196-220)	HSSBS
9/10	8	Relevant information and decision making: Marketing Decisions (follows)	Chapter 5 (196-220) Exercise	HSSBS
TBD	9	Relevant information and decision making: Production Decisions	Chapter 6 (all)	HSSBS
14/10	10	Relevant information and decision making: Production Decisions (follows)	Chapter 6 (all) Exercise	HSSBS
16/10	11	The master budget: purposes and preparation	Chapter 7 (294-317)	HSSBS
21/10	12	The master budget (follows)	Chapter 7 (294-317) Exercise	HSSBS
3/11 9.00	First intermediate test			

Date	Ss	Topic	Materials	Ref.
11/11	13	Flexible budgets and the variance analysis	Chapter 8 (all)	HSSBS
13/11	14	Flexible budgets and the variance analysis (follows)	Chapter 8 (all) Exercise	HSSBS
18/11	15	Management control systems and responsibility accounting: the segmented income statement	Chapter 9 (384-400)	HSSBS
20/11	16	The segmented income statement	Chapter 9 (384-400) Exercise	HSSBS
25/11	17	Management control in decentralized organizations: ROI, EP/RI, EVA and transfer pricing	Chapter 10 (426-451) Exercise	HSSBS
26/11 14.30	18	Cost Allocation: allocation of service department costs	Chapter 12 (522-539 + appendix 12) Exercise	HSSBS
27/11	19	Cost Allocation: allocation of joint costs and by-product costs	Chapter 12 (550-555) Exercise	HSSBS
02/12	20	Accounting for overhead costs	Chapter 13 (all)	HSSBS
04/12	21	Accounting for overhead costs (follows)	Chapter 13 (all) Exercise	HSSBS
9/12	22	Job-costing systems	Chapter 14 (636-649) Exercise	HSSBS
11/12	23	Process costing systems: physical units and equivalent units	Chapter 14 (649-657)	HSSBS
16/12	24	Process costing systems: weighted average method Summary and conclusions	Chapter 14 (658-662) Exercise	HSSBS
12/01 9.00	Second Intermediate test			

* Pages that you have to study (up to the beginning of the new section in the last page indicated). Appendixes are excluded unless explicitly required.

** Horngren, Sundem, Stratton, Burgstahler, Schatzberg, *Introduction to Management Accounting*, Fourteenth Edition, Pearson Prentice Hall, 2008 (chapters 1-14 version or chapters 1-17 version) (**HSSBS** in the table).

*** Selected exercises of the textbook.