

**COURSE TITLE:           MANAGERIAL ACCOUNTING**

**COURSE CODE:           MBA 7301**

**HOURS TAUGHT:         3 HRS PER WEEK**

**PREREQUISITES:        NONE**

### **PURPOSE OF COURSE**

The course emphasizes the use of accounting information for internal purposes as opposed to the external disclosure focus of financial accounting purposes. The main objective of this course is to familiarize you with the basic concepts of management accounting system, and how the information generated by such a system can be useful decision making and performance evaluation more specifically, this course emphasizes four objectives.

### **EXPECTED LEARNING OUTCOMES**

By the end of the course students should be able to:

- Discuss the basic concept which forms the discipline of management accounting;
- Explain the skills necessary to use management accounting information to make business decisions;
- Describe how management accounting information can be used to formulate and implement strategy in a variety of organizational environments;
- Explain and design the management accounting and control systems affect human behavior in organizations.

## **COURSE CONTENT**

### **Unit 1. Basic Concept**

- What is the role of management accounting in organizations?
- What are the major differences between management accounting and financial accounting?
- What is cost object? What is the difference between a direct cost, and an indirect cost? What is the difference between a fixed cost and a variable cost?
- Briefly outline the flow of a cost from raw materials inventory through the production process, to cost difference between a product cost and a period cost.
- What does Cost-Volume-Profit (CVP) model do?

### **Unit 2. Product Costing System**

- What are the building block concept of costing system?
- Describe Job-Costing and Process Costing system. Explain when it would be appropriate to use each.
- How does variable costing differ from absorption costing?
- Describe how attempts to recover fixed costs of capacity may lead to price increases and low demands.

### **Unit 3. Activity Based Costing and Management**

- What is activity based costing (ABC)?
- What is the real difference between ABC and traditional cost system?
- How can ABC help decision improvement?
- When would a company benefit most in adopting ABC system?

### **Unit 4. Relevant Information and Decision Making**

- What is the difference between an opportunity cost and an outlay cost? Why opportunity cost is used in decision making?
- Why are sunk costs irrelevant?
- When would company benefit most in adopting ABC system?

### **Unit 5. Budgeting and Control**

- What is the starting point in budgeting?
- Describe the mechanism of the budgeting process.
- What are the behavioural aspects of budgeting?
- What should be the relation between budget and compensation? Do you agree? Explain.

#### Unit 6. **Strategy and Balanced Score Card**

- What are features of a good performance measurement system?
- What is the balance Score Card?
- What are the benefits of using the balanced score card?
- What are the pitfalls to avoid in implementing a balanced score card?

#### Unit 7. **Responsibility Centres and Financial Controls**

- What are the four basic forms of responsibility centres?
- How does the DuPont method analyse return on investment?
- What are the advantages and drawbacks of each of the four accounting based performance measures – Return on Investment (ROI), Residual Income (RI), Economic Added Value (EVA), and Return on Sales (ROS)?

#### Unit 8. **Management Control Systems and Transfer Pricing**

- What is a management control system and how should it be designed?
- What are benefits and costs of decentralization?
- What is transfer pricing and what it is intended to achieve?
- What are alternative methods in setting transfer prices?
- What is the general guideline for determining a minimum transfer price?

### **MODE OF DELIVERY**

- Lectures
- Reading assignments
- Practical assignments
- Field trips
- Documentaries

## **INSTRUCTIONAL MATERIALS AND / OR EQUIPMENT**

- Whiteboard and Markers
- Flip Charts
- LCD Projectors
- CDs, DVDs and Tapes

## **COURSE ASSESSMENT**

- Continuous assessments tests 20%
- Group and individual project (course work) 20%
- End of Semester Examination 60%

## **READING MATERIALS / LIST**

Robert and Anthony : Management Accounting, Tata McGraw Hills, New Delhi.

Horngren, Charles T., Gary L. Sundem and William O. Stratton, "Introduction to Management Accounting", Pearson Education Asia.

M.Y. Khan & P.K. Jain, Management Accounting, Tata McGraw Hills, New Delhi.

Sharma, Subhash and M.P. Vithal, "Financial Accounting for Management Text and Cases", McMillan.

Arora, M.N., "Cost Accounting-Principles and Practice", Vikas Publishing House