

## Management Accounting

2015/2016

Code: 102373  
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OT	3	1
2501572 Business Administration and Management	OT	4	0

### Contact

Name: Eric John Slob  
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### Use of languages

Principal working language: catalan (cat)

### Teachers

Pere Nicolás Plans

### External teachers

Blai Felip  
Emili Batlle  
Jordi Truñó

### Prerequisites

Before taking this course, it is recommended to have followed the course "102374 - Cost Accounting"

### Objectives and Contextualisation

This course will

- Introduce students to the concept of a master budget and help them understand its major benefits to an organization
- Describe major components of a master budget
- Show how to prepare a budgeted income statement and its supporting schedules
- Show how to elaborate standard costs
- Describe the difference between a static budget and a flexible budget
- Introduce students to variance analysis
- Show how to determine flexible-budget and sales-volume variances
- Show how to decompose flexible-budget variances into price and efficiency components
- Show how to decompose volume variances into market-size, market-share and sales-mix components
- Help students discover how the relationship between costs, activity level and profit of a business relates to budget preparation and variance analysis
- Explain presentational differences arising from Full Costing and Direct Costing
- Describe the logic of standard costing systems and enable students to apply this to simple settings
- Clarify how to differentiate relevant costs and revenues from irrelevant costs and revenues for decision making purposes
- Help students discover the importance of the time horizon of analysis in decision making

## **Skills**

### **Business Administration and Management**

- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.

## **Learning outcomes**

1. Organise work, in terms of good time management and organisation and planning.
2. Select and generate the information needed for each problem, analyse it and make decisions based on this information.

## **Content**

### Topic 1. PLANNING, BUDGETS, AND BUDGETARY CONTROL

- 1.1. Definition and role of budgets
- 1.2. Operating budgets and budgeted financial statements
- 1.3. Budgetary control as a management tool

### Topic 2. PLANNING AND BUDGETING IN MERCHANDISING COMPANIES

- 2.1. Steps in preparing an operating budget
- 2.2. The sales budget
- 2.3. Planning and budgeting inventory levels and purchases
- 2.4. Planning and budgeting operating costs
- 2.5. The cash budget
- 2.6. Budgeted financial statements

### Topic 3. PLANNING AND BUDGETING IN MANUFACTURING COMPANIES

- 3.1. Usefulness of cost standards
- 3.2. Setting cost standards
- 3.3. Standards for total costs and unit costs
- 3.4. Production and inventory-level planning in manufacturing companies
- 3.5. Budgeting costs of resources used in the production process
- 3.6. The budgeted income statement using Full Costing and Direct Costing

### Topic 4. BUDGETARY CONTROL

- 4.1. The "ex-post" use of budgets for control purposes
- 4.2. Static-budget variances
- 4.3. Flexible budgets

4.4. Flexible-budget variances and sales-volume variances

4.5. Links to cost-volume-profit analysis

#### Topic 5. DECOMPOSITION OF THE FLEXIBLE BUDGET VARIANCE

5.1. Price and efficiency variances

5.2. Spending variances

5.3. Particular issues when using Full Costing

5.4. Effects of inventories

#### Topic 6. DECOMPOSITION OF THE VOLUME VARIANCE

6.1. Profit impact of changes in sales price, sales quantity and sales mix

6.2. Price, volume, market-size, market-share and product-mix variances

6.3. Links to cost-volume-profit analysis for the multi-product setting

#### Topic 7. STANDARD COSTS AND THE ACCOUNTING INFORMATION SYSTEM

7.1. Recording of transactions using standard costs

7.2. Recording variances

7.3. Differences between Full-Costing and Direct-Costing

7.4. End-of-period adjustments

#### Topic 8. ACCOUNTING INFORMATION FOR DECISION MAKING

8.1. Decisions about products and prices

8.2. The concept of relevance in accounting

8.3. The link between long-run and short-run decisions

8.4. Analysis of common types of decision in organizations

## Methodology

Theoretical presentations by the instructor will be combined with the discussion of cases and readings and the solution of practical exercises. On a regular basis students will be assigned readings and problems, and they are expected to prepare these in advance of or during class sessions, as instructed.

## Activities

Title	Hours	ECTS	Learning outcomes
<b>Type: Directed</b>			
Seminar sessions	15	0.6	
Theory sessions	30	1.2	

**Type: Supervised**

Tutoring	5	0.2
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**Type: Autonomous**

Reading; Preparation of exercises and cases; Self-study	100	4
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## Evaluation

Evaluation of this course will be carried out on a continuous basis. In particular, there will be three partial exams (weighing each 25% in the final grade) and every week exercises will be collected (25% weight).

- The partial exams comprise about 25 questions, which can be theoretically orientated (conceptual questions) or have a more practical nature (computational problems). Some of the exam questions will provide multi-choice answers and others will be open ended.
- The exercises will be collected by the instructors during the course, typically during the practical class sessions. If an exercise is assigned to be solved in class, it will only be collected during that particular class session; therefore these exercises cannot be handed in before or after the session, nor can they be handed in on behalf of the student by a third person.

The overall grade for the course is obtained by averaging the grades obtained in the partial exams and the exercises collected. This average will only be calculated for students who

- have obtained a score of 4 or higher on each of the three partial exams, AND
- have handed in at least 75% of the assigned exercises.

If a student has obtained a score lower than 4 on, at most, one of the three partial exams, he or she will be allowed to repeat that particular test.

Also students, who after averaging the four grade components obtain a final grade between 4 and 5, will be offered a reevaluation, consisting of the repetition of one of the three partial exams. The result of this reevaluation will be qualitative: *Pass* or *Fail*. If the result is *Pass*, the overall numerical grade for the course will be a 5; if the result is *Fail*, the overall numerical grade for the course will be the score that had been obtained before the reevaluation.

In case a student does not fulfill the two criteria for averaging specified above, he or she does not pass the course, and will be given as overall numerical grade the lower of 4 or the average of the available scores for the different grade components.

A student, who has taken part in more than one of the partial exams, will be considered as taking the course, and therefore will be given a numerical grade as described above. However, students taking part in only one or none of these tests will be considered as "not evaluated".

## Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Exercises	25%	0	0	1, 2
Partial exams	75%	0	0	1, 2

## **Bibliography**

### **Required textbook**

- Bhimani A, Horngren CT, Datar SM and Rajan M. Management and Cost Accounting, 5/E. Financial Times Press 2012. ISBN-13: 978-0-273-75745-0

Also available as CourseSmart eTextbook: (<http://www.coursesmart.co.uk/9781447916604>).

### **Additional readings**

- Anthony RN, Hawkins DF and Merchant KA. Accounting: Text and cases. McGraw-Hill.
- Atkinson AA, Banker RD, Kaplan RS and Young, SM. Management Accounting. Prentice-Hall.
- Drury, C. Management and Cost Accounting. Thomson Learning.
- Drury, C. Management Accounting for Business Decisions. Thomson Learning.
- Hilton, RW. Managerial Accounting. McGraw Hill.