

Irish American University

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MBA504 MANAGING FOR FINANCIAL ACCOUNTABILITY

Credits:	6
Prerequisites:	Finance module at Level 8 or equivalent.
Mandatory:	Yes
Academic Year:	2020 - 2021
Semester:	2 (18 th January 2021 - 7 th May 2021)
Lecturer:	Mícheál Ó Raghallaigh
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Enrolment Key:	MBA504ACD

MODULE DESCRIPTION

Accounting as a managerial tool for business strategy and implementation. Key topics include: customer satisfaction, total value-chain analysis, continuous improvement, and planning and control techniques linked to key success factors.

INTENDED LEARNING OUTCOMES

1. Explain the functions and purposes of management (planning, organizing, directing and controlling) in a quantitative context.
2. Create strategies for decision-making based on information obtained through activity analysis.
3. Understand the set business functions in the value chain and relate value added activities to success and non-value added activities to sub-optimization.
4. Understand the role of managerial accounting in an organization that operates in a competitive marketplace. This is becoming increasingly critical due to globalization.
5. Examine the risk-return trade-off and how that trade-off impacts managerial decisions and how those decisions impact the value of the firm.
6. Explain that the amount, timing and risk to the cash flows generated by an organization are determined by investment decisions, dividend decisions, financing decisions and ownership structure decisions.
7. Create strategic and tactical decisions for meeting customer needs.
8. Analyze the impact of a total quality management program on an organization's ability to compete effectively in the international marketplace.

These competencies will be measured through examinations and case studies.

Teaching Methodologies:

Teaching strategies incorporated into this course include: traditional lecture, student discussion of course concepts, video appropriate to course concepts and faculty - student-peer review. Learning activities are designed to promote analytic and creative thinking and development of a professional demeanor. Analytical strategies include: reading didactic material before class, concrete problem solving, step-by-step procedures, taking time to organize, writing things down, seeking clear directions and expectations, and written examinations. Creative and intuitive strategies include: allowing for intuition and reflection, simulations, seeing how things fit, general alternatives, negotiating, role play, future oriented problem solving, thinking out loud, debate, case studies, active self-assessment, seeking feedback, group process and personalized learning.

The module places considerable emphasis on self-directed learning; students are required to take responsibility for initiating research, developing strategies for the analysis of problems, and using critical independence in producing, papers, projects and presentations.

READINGS

Required text

Horngrén, C.T., Datar, S.M., Foster, G., Rajan, M. and Ittner, C. (2018). Cost Accounting: A Managerial Emphasis. New Jersey: Prentice Hall, Sixteenth Edition. ISBN: 0-13-612663-4

Recommended Periodicals:

Abacus, Accounting and Business Research, Accounting Horizons, The Accounting Review, Advances in Management Accounting, CMA Magazine, Financial Executive, Financial Practice and Education, Fortune, Harvard Business Review, The Internal Auditor, Journal of Accounting Education, Journal of Accounting Literature, Journal of Business Finance and Accounting, Journal of Cost Analysis, Journal of Cost Management, Journal of Management Accounting Research, Management Accounting, Management Science, Wall Street Journal.

Students can also avail themselves of Lynn University Library databases ProQuest, Lexis Nexis, Findarticles.com and business specific databases such as: ABI/Inform, BCRC, and Emerald.

Directions to access article databases and e-books:

Go to Lynn University Website: www.lynn.edu

Click the Libraries Tab

Click Article Data Bases

MODULE OUTLINE

Course material will be covered as outlined below. The schedule is subject to change. Any changes will be announced in class. Students are responsible for keeping up-to-date on any schedule changes. Students who miss a class are responsible for all material covered in class whether an absence is excused or unexcused.

First	<ul style="list-style-type: none">• Define and illustrate a cost object• Distinguish between direct costs and indirect costs;• Explain cost drivers, variable costs, and fixed costs;• Understand why unit cost amounts must be interpreted with caution;• Distinguish among service-sector, merchandising-sector, and manufacturing-sector companies;• Differentiate between capitalized cost and non-capitalized costs;• Describe the three categories of inventories commonly found in many manufacturing-sector companies;• Explain how different ways of computing product costs are appropriate for different purposes.• Distinguish between the general case and special case of CVP;• Explain the relationship between operating income and net income;• Describe the assumptions underlying CVP;• Demonstrate three methods for calculating the breakeven point and target operating income;• Explain how sensitivity analysis can help managers cope with uncertainty;• Illustrate how CVP can assist cost planning;• Describe the effect of revenue mix on operating income;• Illustrate how CVP can incorporate income taxes.	Ch.2: 19,20,25,34 Ch.3: 21,22,27,30,34
Second	<ul style="list-style-type: none">• Explain four cost categories in a costs of quality program;• Describe three methods that companies use to identify quality problems;• Identify the relevant costs and benefits of quality improvements;• Provide examples of non-financial quality measures of customer satisfaction and internal performance;• Understand why companies use both financial and non-financial measures of quality;• Describe customer-response time, and explain the reasons for and the cost of lines and delays;• Define the three main measurements in the theory of constraints;• Describe four steps in managing bottlenecks.	Read Chapter 19 Problems Ch. 19: 17,25,28,34
Third	<ul style="list-style-type: none">• Describe the building block concepts of costing systems;• Distinguish between job costing and process costing;• Outline a six-step approach to job costing;• Distinguish among actual costing, normal costing, and extended normal costing methods;• Explain under-costing and over-costing of product;	Read Chapter 4 & 5 Problems Ch. 4: 19, 21, 32 Ch. 5: 34, 35

- Describe three guidelines for refining a costing system;
- Describe the distinctive feature of activity-based costing;
- Prepare product-line profitability reports for companies in the merchandising sector.
- Describe three key source documents used in job-costing systems;
- Distinguish between the Work-in-Process subsidiary ledger and the Work-in-Process control account in the general ledger;
- Understand how the steps in the production process are tracked in a job-costing system;
- Describe alternative methods of prorating of period-end under- or over- allocated indirect costs;
- Describe how the cost hierarchy notion can be used in manufacturing;
- Distinguish between the traditional and the activity-based costing approaches to designing a costing system in manufacturing.

Fourth

Examination One

Chapter 1,2,3,19,4,5

Fifth

- Define master budget and describe its major benefits to an organization;
Read Chapter 6 & 7
- Describe major components of the master budget;
Problems
- Prepare the budgeted income statement and its supporting schedules;
Ch. 6: 31, 32
- Describe the uses of computer-based financial planning models;
Ch. 7: 30, 33
- Explain kaizen budgeting and its importance for cost management;
- Illustrate an activity-based budgeting approach;
- Describe responsibility centers and responsibility accounting;
- Explain how controllability relates to responsibility accounting;
- Describe the difference between a static budget and a flexible budget;
- Illustrate how a flexible budget can be developed;
- Use the flexible-budget approach to compute flexible-budget and sales-volume variances;
- Interpret the price and efficiency variances for direct-cost input categories;
- Describe two different ways to develop budgeted input prices and budgeted input quantities;
- Explain why purchasing performance measures should focus on more factors than just price variances;
- Describe how the continuous improvements theme can be integrated into a variance analysis;
- Describe benchmarking and how it can be used by managers in variance analysis.

Sixth

- Explain differences in the planning of variable-overhead costs and the planning of fixed-overhead costs;
Read Chapter 8
Problems
- Explain the computation and meaning of spending and efficiency variances for variable variances for variable overhead;
Ch. 8: 18,19,40
- Illustrate how to compute the budgeted fixed-overhead rate;
- Give two reasons why the production-volume variance may not be a good measure of the opportunity cost of unused capacity;
- Explain how a 4-variance analysis can provide an integrated overview of

overhead cost variances;

- Explain the differing roles of cost allocation bases for fixed manufacturing overhead when a) planning and controlling, and (b) inventory costing;
- Prepare journal entries for variable-and fixed-overhead variances;
- Explain why managers frequently use both financial and non-financial variables to plan and control overhead costs.

Seventh

- Identify the fundamental feature that distinguishes variable costing from absorption costing; Read Chapters 9 & 11 Problems
- Construct income statements using absorption costing and variable costing; Ch. 9: 16, 17, 28
- Explain differences in operating income under absorption costing and variable costing; Ch. 11: 19,20,22,25
- Understand how absorption costing influences performance-evaluation decisions;
- Describe the various denominator-level concepts that can be used in absorption costing;
- Explain how the choice of the denominator-level quantity affects reported operating income and inventory cost.
- Describe a five-step sequence in the decision process;
- Outline the meaning of relevant cost, and describe its two key aspects;
- Distinguish between quantitative factors and qualitative factors in decisions;
- Indicate two ways in which per-unit cost data can mislead decision makers;
- Identify two common pitfalls in relevant-cost analysis;
- Describe the opportunity cost concept; explain why it is used in decision making;
- Describe the key concept in choosing which among multiple products to produce when there are capacity constraints;
- Explain why the book value of equipment is irrelevant in equipment-replacement decisions;
- Explain how conflicts arise between the decision model used by a manager and the performance model used to evaluate the manager.

Eighth

- Discuss the three major influences on pricing decisions; Read Chapters 12 & 13 Problems
- Distinguish between short-run and long-run pricing decisions; Ch. 12: 16, 17, 23, 25
- Describe the target-costing approach to pricing; Ch. 13: 18, 22
- Distinguish between cost incurrence and locked-in costs;
- Describe the cost-plus approach to pricing;
- Describe two pricing practices in which non-cost reasons are important when setting price;
- Explain how life-cycle product budgeting and costing assist in pricing decisions;
- Explain the effects of antitrust laws on pricing.
- Recognize which of two generic strategies a company is using.
- Identify key aspects of reengineering.
- Present the four perspectives of the balanced scorecard.
- Analyze changes in operating income to evaluate strategy.
- Identify and manage unused capacity.

Ninth

Examination Two

Chapters 6,7,8,9,12,13

ASSESSMENT AND GRADING

The following must be completed satisfactorily by any student undertaking the standard assessment of the course.

Assessment will take the form of:

Assignment	25%
Participation	5%
Final Examination	<u>70%</u>
	<u>100%</u>

- Assignment:** An **individual assignment paper of 3,000 words** regarding key components of the course will be assigned. **Due date: 30th March 2021.**
- Participation:** Student's participation will be assessed according to their constructive contribution to the case study and reading discussion during the semester. See also below re attendance and punctuality.
- Examination:** The examination will be three hours long.

Grading

Each component of the course will be assessed separately. Students will be graded according to the attached grading system as outlined in the HETAC Marks and Standards 2009, available at: (page 23).

ATTENDANCE AND PUNCTUALITY

Attendance is crucial. In the case of illness it is the student's responsibility to telephone the College office to notify the lecturer. See Academic Policies and Procedures in the ACD Catalogue.

Late arriving students will not be admitted under any circumstances - 10 minutes maximum tolerance. Lateness and attendance will be taken into account in assessing participation marks.

ACADEMIC DISCIPLINE

Refer to the subsection on Academic Discipline in the current ACD Catalogue.