

## AB212 Introduction to Management Accounting

### **Course Description and Scope**

The aim of this course is to provide a foundation in the use of accounting information in the strategic, planning and control aspects of the management function.

### **Proposed Lecture Schedule**

The following schedule will be followed. All students are expected to read both the textbook chapter(s) *and* the set readings prior to the lecture.

Wk	Topics	Readings <sup>1</sup>
1	<b>Introduction to Management Accounting</b> <ul style="list-style-type: none"> <li>▪ Introduction to Management Accounting</li> <li>▪ Differences between financial and management accounting</li> <li>▪ The Business Environment</li> <li>▪ Management Accounting and Organisational Structure and Value Chain</li> <li>▪ Managing with Performance Standards</li> </ul>	ABKY: 1, 2 HFD: 1 Horngren, C. T. (1995) 'Management accounting: This century and beyond', <i>Management Accounting Research</i> 6(3): 281-286. Hergert, M. and D. Morris (1989) 'Accounting Data for Value Chain Analysis', <i>Strategic Management Journal</i> 10: 175-188.
2	<b>Planning and Control</b> <ul style="list-style-type: none"> <li>▪ Planning from a stakeholder perspective</li> <li>▪ Nature of control</li> <li>▪ The learning organisation</li> </ul>	ABKY 11 Otley, D. (1994) 'Management control in contemporary organizations: Towards a wider framework', <i>Management Accounting Research</i> 5(3,4): 289-299. Coad, A. (1996) 'Smart work and hard work: Explicating a learning orientation in strategic management accounting', <i>Management Accounting Research</i> 7(4): 387-408. Dent, J. F. (1996) 'Global competition: challenges for management accounting and control', <i>Management Accounting Research</i> 7(2): 247-269.

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<sup>1</sup> ABKY: Atkinson, A., Banker, R., Kaplan, R. S., & Young, S. M. (1997). *Management Accounting*. (2nd ed.). Upper Saddle River, NJ: Prentice Hall.  
 HFD: Horngren, C. T., Foster, G., & Datar, S. (1996). *Cost Accounting: A Managerial Emphasis*. (9th ed.). Englewood Cliffs, NJ: Prentice Hall.  
 Y: Young, S. M. (1997). *Readings in Management Accounting*. (2nd ed.). Upper Saddle River, NJ: Prentice Hall. The nominated author is the first author. For example, Shank refers to Shank, J. K., & Govindarajan, V. (1992). Strategic cost management and the value chain. *Journal of Cost Management for the Manufacturing Industry*, 5(4), 5-21, reprinted in Young, 18-30

Wk	Topics	Readings
3	<b>Budgeting</b> <ul style="list-style-type: none"> <li>▪ Budgeting process</li> <li>▪ The Master Budget</li> <li>▪ What-If Analysis</li> <li>▪ Comparing budgeted and actual results</li> <li>▪ Behavioural aspects of the budget</li> </ul>	ABKY: 9 HFD: 6, 7 & 8 Godfrey, J.T., R.A. Leitch and R.E. Steuer. (1996) 'Budgeting for Multiple Objectives', <i>Management Accounting</i> , January, 38-41 Merchant, K. A. (1990) 'How challenging should profit targets be?', <i>Management Accounting</i> (November): 46-48. Bunce, P., R. Fraser, et al. (1995) 'Advanced budgeting: A journey to advanced management systems', <i>Management Accounting Research</i> 6(3): 253-265.
4 & 5	<b>Cost Concepts</b> <ul style="list-style-type: none"> <li>▪ Activity Based Cost Costing</li> <li>▪ Selection of Drivers</li> <li>▪ Standard Cost Systems</li> <li>▪ Variance Analysis</li> </ul>	ABKY: 3 HFD: 2 Cooper, R. and R. S. Kaplan (1988) 'Measure Costs Right: Make the Right Decisions', <i>Harvard Business Review</i> 66(5): 96-103 Cooper, R. and R. S. Kaplan (1992) 'Activity-Based Systems: Measuring the cost of resource usage', <i>Accounting Horizons</i> 6(3): 2-13. Cooper, R. (1990) 'Cost Classification in Unit-Based and Activity-Based Manufacturing Cost Systems', <i>Journal of Cost Management</i> 4(3): 4-14. Goh C.T. (1991) Activity-Based Costing in a New Manufacturing Environment. <i>Singapore Accountant</i> . Sept.. 22-25. Malmi, T. (1997) 'Towards explaining activity-based costing failure: Accounting and control in a decentralized organization', <i>Management Accounting Research</i> 8(4): 459-480. Mak, Y. T. and M.L. Roush. Flexible Budgeting and Variance Analysis in an Activity-Based Costing Environment". <i>Accounting Horizon</i> . June 1994. 93-103.
6	<b>Cost Behaviour</b> <ul style="list-style-type: none"> <li>▪ Cost behaviour and output volumes</li> <li>▪ Breakeven analysis &amp; capacity</li> <li>▪ Cost variation</li> </ul>	ABKY: 4 HFD: 10 Boer, G. "In Defence of Contribution Margin Analysis." <i>Journal of Cost Management</i> (1989): 4-7. Sprohge, H., and J. Talbott. "How Contribution Margin Analysis Helped Andre's Salon." <i>Journal of Accountancy</i> 170, no. 2 (1990): 110-7. Sinclair, K. P., and J. A. Talbott, Jr. "Using Breakeven Analysis When Cost Behavior Is Unknown." <i>Management Accounting</i> 68, no. 1 (1986): 52-5. Mazhin, R. "CVP Analysis with an Electronic Spreadsheet." <i>Journal of Accountancy</i> 163, no. 1 (1987): 110-6.

Wk	Topics	Readings
7	<p><b>Basic Product Costing - Job Costing</b></p> <ul style="list-style-type: none"> <li>▪ Nature of production processes: Job, Volume, Process</li> <li>▪ Introduction to Job Costing</li> <li>▪ Cost application</li> <li>▪ Accounting for materials</li> <li>▪ Accounting for labour</li> </ul>	<p>ABKY: 5 HFD: 5</p> <p>Novin A. Applying Overhead: How to find the Right Bases and Rates. <i>Management Accounting</i>. March 1992. 40-43.</p> <p>Selto, F. H., and D. W. Jasinski. "ABC and high technology: A story with a moral." <i>Management Accounting (USA)</i> 77, no. 9 (1996): 37-40.</p> <p>Barton, T. L., and F. M. Cole. "Atlantic Dry Dock's unique cost estimation system." <i>Management Accounting (USA)</i> 76, no. 4 (1994): 32-9.</p>
8	<b>Recess</b>	
9	<p><b>Basic Product Costing - Process and Hybrid Costing</b></p> <ul style="list-style-type: none"> <li>• Process Organisations</li> <li>• Introduction to Process Costing</li> <li>• Use of Process Cost Data</li> <li>• Hybrid Costing Systems</li> </ul>	<p>ABKY: 5 HFD: 17, 20</p> <p>Lovata L. M. (1986) Experimental Process Costing Project. <i>Issues in Accounting Education</i>. Spring. 148-152.</p> <p>Skinner, R. C. "Process Costing." <i>Abacus</i> 14, no. 2 (1978): 160-70.</p> <p>Longmore, P. "Process costing demystified." <i>Accountancy</i> 114, no. 1214 (1994): 88-91.</p>
10	<p><b>Cost Allocation</b></p> <ul style="list-style-type: none"> <li>▪ Problem of service functions</li> <li>▪ Cost allocations</li> <li>▪ Activity Based Management</li> <li>▪ Marketing Activities</li> </ul>	<p>ABKY: 6 HFD: 13, 14</p> <p>Y: Estrin, Rotch, Carlson, Carr</p> <p>Ratnatunga, J., R. Pike, et al. (1988) 'The Application of Management Accounting Techniques to Marketing', <i>Accounting &amp; Business Research</i> 18 (72 ): 363-370.</p> <p>Yoshikawa, T., J. Innes, and F. Mitchell. "Japanese case study of functional cost analysis." <i>Management Accounting Research</i> 6, no. 4 (1995): 415-32.</p> <p>Ramadan, S. "The Rationale for Cost Allocation: A Study of UK Divisionalised Companies." <i>Accounting &amp; Business Research</i> 19 , no. 77 (1989 ): 31-7.</p>
11	<p><b>Process and Activity Decisions</b></p> <ul style="list-style-type: none"> <li>▪ Relevant costs</li> <li>▪ Make or buy decisions</li> <li>▪ Logistics and layout decisions</li> <li>▪ JIT</li> <li>▪ Relevant inventory cost decisions</li> </ul>	<p>ABKY: 8 HFD: 11, 20, 21</p> <p>Gietzmann, M. B. (1996) 'Incomplete contracts and the make or buy decision: Governance design and attainable flexibility', <i>Accounting, Organizations &amp; Society</i> 21(6): 611-626.</p> <p>Sillince, J. A. A. and G. M. H. Sykes (1995) 'The role of accountants in improving manufacturing technology', <i>Management Accounting Research</i> 6(2): 103-124.</p> <p>Neumann, B. R. and P. R. Jaouen (1986) 'Kanban, ZIPS and Cost Accounting: A Case Study', <i>Journal of Accountancy</i> 162(2): 132-141.</p>

Wk	Topics	Readings
12	<b>Pricing and Product Mix Decisions</b> <ul style="list-style-type: none"> <li>▪ Role of cost data in pricing and product-mix decisions</li> <li>▪ Short and long-term pricing and product-mix decisions</li> </ul>	ABKY: 7 HFD: 12 Manning, K. (1995) 'Distribution Channel Profitability', <i>Management Accounting (USA)</i> (January): 44-48. Claret, J., and P. D. Phadke. "Pricing - A challenge to management accounting." <i>Management Accounting (UK)</i> 73, no. 9 (1995): 20-1. Patterson, M. C. "Constraint analysis in profit planning - An empirical comparison of 2 approaches." <i>International Journal of Management</i> 11, no. 1 (1994): 562-9.
13	<b>Contemporary Management Accounting Methods</b> <ul style="list-style-type: none"> <li>▪ The Competitive Process revisited</li> <li>▪ Quality costing/Return on Quality</li> <li>▪ Kaizen Costing</li> <li>▪ Product Life Cycle costing</li> <li>▪</li> </ul>	ABKY: 13 HFD: 19 Johnson, H. T. and R. S. Kaplan (1987). The importance of long-term product costs. <i>McKinsey Quarterly</i> : 36-48. (165) Tani, T., H. Okano, et al. (1994) 'Target cost management in Japanese companies: Current state of the art', <i>Management Accounting Research</i> 5(1): 67-81. Ito, Y. (1995). Strategic goals of quality costing in Japanese companies. <i>Management Accounting Research</i> , 6(4), 383-397. Roth H.P. and T.L. Albright. (1994) What Are the Costs of Variability? <i>Management Accounting</i> . June. 51-55.

### Teaching Staff

The staff teaching on this unit are:

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### Required Textbooks

Atkinson, A., Banker, R., Kaplan, R. S., & Young, S. M. (1997). *Management Accounting*. (2nd ed.). Upper Saddle River, NJ: Prentice Hall.

Hornigren, C. T., Foster, G., & Datar, S. (1996). *Cost Accounting: A Managerial Emphasis*. (9th ed.). Upper Saddle River, NJ: Prentice Hall.

In addition, copies of the set readings will be made available at the reprographics centre and in the reading room.

### **Additional Readings and Information Sources**

Students should draw from the management accounting literature in journals including: *Journal of Cost Management*, *Management Accounting* (USA), *Management Accounting* (UK), *Management Accounting Research*, *Accounting and Business Research*, *Accounting Horizons*, *Accounting Organizations and Society*; and *Accounting Review*. The national professional literature including *Singapore Accountant*, *Accountancy*, *Australian CPA*, and the *Journal of Accountancy* all have articles on management accounting.

Good starting points on the web include: The International Accounting Network (<http://www.i-a-n.org/>) and The Institute of Management's two sites (<http://www.imanet.org/>) and (<http://www.imastudents.org/>).

### **Assessment**

The assessment for this unit is:

- |                          |     |
|--------------------------|-----|
| ▪ Final Examination      | 70% |
| ▪ Group Essay Project    | 20% |
| ▪ Tutorial Participation | 10% |

The marks on tutorial participation will be allocated for:

- contributions to the tutorial literature discussions and general tutorial work
- tutorial preparation
- tutorial literature discussion

### **Tutorial Discussion of Readings**

As shown above, there are set readings each week. One of these readings will be discussed in the tutorials. From thirty minutes to 1 hour will be dedicated to analysis of the reading. *All* the readings are, however, examinable.

All students are expected to read and make notes of each reading. Active discussion on the points raised in the reading is expected of each and every student. In addition, each week two or three students will be allocated to lead the discussion on the reading that has been set that week. It is expected that the students will draw out the essential issues of the reading. They should also research other relevant literature. They will enter the discussion with the other students and the tutor as prompters and questioners.

The students allocated to the tutorial will prepare a "prompt sheet". This is a typed list of points that arise from the reading and the issues for discussion. The students can use the "prompt sheet" as a memory jogger for the discussion. The "prompt sheet" will be no more than two A4 pages, with lines at 1.5 spacing. These students will hand their "prompt sheet" to their tutor at the conclusion of the tutorial.

**IMPORTANT NOTE FOR THE FIRST TUTORIAL:** ALL students in the tutorial are expected to have read the allocated readings and enter into the discussion at the first tutorial.

## **Group Essay**

Students will be allocated into groups of two. Each group is required to prepare a formal academic essay on one of a number of topics. Each group will be allocated to an essay topic. Each group will be required to submit their essay on the Web. A printed version of the Web essay is also to be submitted, along with a declaration of the originality of the writing and the inclusion of all references and hyperlinks in the essay. The declaration is to be signed by both team members. All attempts at plagiarism will be met with the appropriate disciplinary action.

A high standard of research, analysis, writing, referencing and relevance will be required. The group essay will be due in Week 10.

## **Web Support**

The World Wide Web home page for AB212 is

*<http://www.ntu.edu.sg/nbs/fma/courses/ab212/>*

The home page has essential class information and points to the AB212 site. The site supports class and tutorial communication. It contains copies of all lecture slides, details of tutorial assignments, pointers to management accounting Web sites, additional readings, and voluntary quizzes. Details of student logins and passwords will be made available at the first tutorial.