

**SCHOOL OF MANAGEMENT**  
**Course Specification 2011/12**

<b>Code:</b>	MN204 1B	<b>Course Value:</b>	1	<b>Status:</b>	Core
<b>Title:</b>	Management Accounting			<b>Availability:</b>	Autumn/Spring
<b>Prerequisites:</b>	MN104 1B			<b>Recommended:</b>	None
<b>Co-ordinator:</b>	Dr John Ahwere-Bafo & Dr Leonardo Rinaldi				
<b>Course Staff</b>	Dr John Ahwere-Bafo & Dr Leonardo Rinaldi				
<b>Aims:</b>	<ul style="list-style-type: none"> <li>To provide a broad overview of contemporary approaches to management accounting.</li> <li>To examine the strengths and weaknesses of these approaches.</li> <li>To introduce you to some research in the area.</li> </ul>				
<b>Learning Outcomes:</b>	<ul style="list-style-type: none"> <li>Understand and apply techniques of cost-volume-profit analysis, absorption costing, activity based costing, and activity based management approaches.</li> <li>Understand the issues for accounting and control around the movement from a manufacturing to a service/knowledge led business environment including behavioural and structural factors.</li> <li>Understand why management accounting has a role in improving organisational performance.</li> <li>Discuss the development of shareholder and stakeholder views and their impact on accounting.</li> <li>Understand the nature of investment decision-making as well as the issue of risk.</li> <li>Describe and discuss the advantages and disadvantages of the main investment techniques used in practice.</li> <li>Apply the main investment appraisal techniques to simple scenarios involving tax and inflation.</li> <li>Understand the issues underpinning the calculation of the cost of capital for a company.</li> <li>Discuss the issues that arise in pricing an organisations product offering.</li> <li>Discuss the issues both tangible and intangible that arise in investment appraisal.</li> <li>Recognise that the practice of management accounting rests in an organisational and societal context and explain how and why this has implications for the production of data and the implementation of systems of control.</li> <li>Present relevant information in both oral and written form.</li> </ul>				
<b>Course Content:</b>	Cost allocation ABC and ABCM Pricing and profitability issues Strategic Management Accounting Management Accounting for performance Management Accounting for Sustainability Control Systems and JIT NPV, tax, inflation and other issues		Divisionalisation Shareholder and stakeholder issues Organisational accountability Investment appraisal techniques Performance evaluation techniques Control and responsibility accounting Balanced scorecard & Value added Transfer pricing		
<b>Teaching &amp; Learning Methods</b>	There will normally be a one-hour lecture plus a one-hour workshop each week. Lectures are timetabled to start in <b>September 29th 2011</b> . The workshops start the following week.				
<b>Key Bibliography:</b>	Bhimani, A., Horngren, CT, Foster, G. and Datar, SM. (2008) <i>Management and Cost Accounting</i> Hemel Hempsted, Prentice Hall, 4th Edition.				
<b>In-course Feedback:</b>	Feedback will be provided during workshops and through assessment of the written assignment. Students are also encouraged to discuss course related matters with course staff during office hours.				
<b>Assessment:</b>	30% of the total marks available for the course will be for two in-course assessments (see page 7 for details). 10% will be assessed through the group presentation and the remaining 20% through a written report. The report needs to be handed in to the Management Reception by <b>12 noon Thursday 8th March 2012</b> . You are required to hand in one hard copy plus one via the on-line facility and we strongly urge you to keep a file copy for yourself. The remaining 70% of the mark will come from the results of a 3-hour examination at the end of the course. The examination tests your ability to answer computational questions and demonstrate your ability to apply techniques covered on the course. It also allows you to demonstrate your ability to explain and evaluate the techniques and demonstrate your wider reading in the general subject area.				

# MN 204 1B Management Accounting 2011/12

## Lecturers

Dr John Ahwere-Bafo Founders East Room 151

Dr Leonardo Rinaldi Founders East Room 165 (Available from Spring Term)

## Brief Outline and Aims of the Course

The general aim of this course is to provide you with a firm foundation in the practices of management accounting. The course seeks to emphasise the importance of *understanding* management accounting information. The course will aim build on the management accounting introduced in year one in order to provide a firm and all round foundation in the topic. The ethos of the course reflects a belief that managers will inevitably be involved in the commissioning and use of financial data and that they must, therefore, have a good understanding of this information and the business context from which it is derived. The focus of this second year course will be upon accounting for decision-making and control. We will aim to promote an understanding and comparison of the different techniques available, to ensure that the best approaches are adopted for particular decision situations especially as the firm strives to achieve its strategic objectives. In the financial management part of the course, we will introduce you to investment appraisal and its use in decision-making.

The aims of the course are

- To provide a broad overview of contemporary issues/ approaches to management accounting.
- To examine the strengths and weaknesses of these approaches.
- To introduce you to some research issues in the area of Management Accounting.

The main texts for this course will be Bhimani, A., Horngren, CT, Foster, G. and Datar, SM. (2008) *Management and Cost Accounting*, Hemel Hempsted, Prentice Hall, 4th Edition (BHIMANI ET AL in the course outline).

## Learning Outcomes

By the end of this course you should be able to:

- Understand and apply techniques of cost-volume-profit analysis, absorption costing, activity based costing, and activity based management approaches.
- Understand the issues for accounting and control around the movement from a manufacturing to a service/knowledge led business environment including behavioural and structural factors.
- Understand why management accounting has a role in improving organisational performance.
- Discuss the development of shareholder and stakeholder views and their impact on accounting.
- Understand the nature of investment decision making.
- Describe and discuss the advantages and disadvantages of the main investment techniques used in practice.
- Apply the main investment appraisal techniques and understand many of the associated qualitative issues.
- Understand the issues underpinning the calculation of the cost of capital for a company.
- Discuss the issues that arise in pricing an organisations product offering.
- Discuss the issues both tangible and intangible that arise in investment appraisal.
- Confidently evaluate all the different techniques introduced on the course.
- Recognise that the practice of management accounting rests in an organisational and societal context and explain how and why this has implications for the production of data and the implementation of systems of control.
- Present relevant information in both oral and written form.

## Organisation

There will normally be a one-hour lecture plus a one-hour tutorial each week. The organisation arrangements and logistics for these will be discussed during the first class and workshop sessions.

**Office hours:**

- **Dr John Ahwere-Bafo** Founders East, Room 151, Wednesdays & Thursdays from 10 -12pm.
- **Dr Leonardo Rinaldi** Founders East, Room 165, Thursdays from 10-12pm (Spring Term only)

You will be expected to have completed all the readings and to have worked through the questions set before attending the workshops. Do not make the mistake of thinking that attending the lectures gives sufficient understanding of the topics covered but rather it will give a framework for you to build upon especially by attendance and participation at the workshops. You should ensure that you do attend the lectures and make supplementary notes to the outline ones provided. Your final mark will be higher if you have read around and are able to demonstrate a broad understanding of the area. You will only gain skills in computation/analysis if you have tried the questions on your own and worked through them to understand how to extract and use the relevant information.

**Overview of Lecture and Workshop Topics**

Date	Lecture	Workshop Topic
	<b>Autumn Term</b>	
Week 1	Introduction: course outline and expectations	<b>No workshop</b>
Week 2	Revision of basic techniques-terms, costing techniques and methods	Revision of Costing Concepts, techniques and methods & Groups Set up
Week 3	Cost allocation	Cost allocation
Week 4	ABC and ABCM	ABC/ABM
Week 5	Budgets, budgeting, and organization control (Flexible Budget)	<b>Group 1 presentation</b>
Week 6	Quality & Throughput concerns; JIT	Budgets and Budgeting
Week 7	Performance management using Value Added approach and Balanced Scorecard	Quality & Throughput concerns; JIT
Week 8	Control Systems and Transfer Pricing	<b>Group 2 presentation</b>
Week 9	Investment appraisal techniques-I	Value Added, Balanced Scorecard, Control Systems & Transfer Pricing
Week 10	Revision Lecture	<b>Group 3 presentation</b>
	<b>Spring Term</b>	
Week 11	Investment Appraisal II: NPV, tax, inflation and other issues	Investment Appraisal I & II Questions
Week 12	Make or buy decisions	<b>Group 4 presentation</b>
Week 13	<i>Guest Lecture Speakers TBD</i> Management Accounting for sustainability	Make or buy decisions
Week 14	From a manufacturing to a service /knowledge environment--Issues	<b>Group 5 Presentation</b>
Week 15	Organisation accountability and Capital markets	<b>Individual surgery time</b>
Week 16	From a shareholder to stakeholder view	Organisation accountability & Capital markets
Week 17	Pricing, Target Costing and Customer Profitability	Sustainability Accounting
Week 18	Break-Even Analysis	Pricing, Customer Profitability and Break-even analysis
Week 19	Management Accounting, Control and Strategy: Dependencies and relationships	<b>Exam Revision Workshops</b>
Week 20	Revision Lecture	<b>Individual surgery time</b>

## Lecture and workshop schedule

### Week Beginning

Week 1	<b>Lecture:</b> <b>Workshops</b>	<i>Introduction: Course outline and Expectations and revision of costing terminology</i> <b><u>No workshops (Read BHIMANI ET AL CHAPTERS 1-4)</u></b>
Week 2	<b>Lecture</b> <b>Workshops</b> <b>Reading</b>	<i>Revision of basic techniques (variable v. absorption costing debate)</i> Making presentations – discussion. Group Setting & Revision of techniques BHIMANI ET AL Chapter 1-4 Armstrong, P. (1995), “Why do accountants write plays about direct costing?” <i>Advances in Public Interest Accounting</i> , Vol. 6, pp.1-18. Miller, P. (1998) “The Margins of Accounting”, <i>The European Accounting Review</i> , 7:4, 605-621.
Week 3	<b>Lecture</b> <b>Workshops</b> <b>Reading</b>	<i>Cost Allocation</i> revision exercises BHIMANI ET AL Chapter 5
Week 4	<b>Lecture</b> <b>Workshops</b> <b>Reading</b>	<i>Activity Based Costing</i> revision exercises BHIMANI ET AL Chapter 11 Ashton Hopper and Scapens Ch 6 Ringrose, N, ‘Why all the fuss about activity based management’, <i>Accounting &amp; Business</i> , pp. 24-25. Piper and Whalley, ‘Testing ABC Logic’, <i>Management Accounting</i> , 68(8)pp.37-42.
Week 5	<b>Lecture</b> <b>Workshop</b> <b>Reading</b>	<i>Budgets, budgeting, and organization control</i> <b>Group 1 Presentation</b> BHIMANI ET AL Chapter 14-17 Van der Stede, W.A. (2000) The relationship between two consequences of budgetary control: Budgetary slack creation and managerial short-termism, <i>Accounting Organizations and Society</i> , 25, 609-622 Allen, D (1998), Variations on a theme, <i>Management accounting</i> 76, 58-60
Week 6	<b>Lecture</b> <b>Workshop</b> <b>Reading</b>	<i>Quality &amp; Throughput Concerns</i> revision exercises BHIMANI ET AL Chapters 20 & 21
Week 7	<b>Lecture</b>  <b>Workshop</b> <b>Reading</b>	<i>Performance management using Value Added approach and Balanced Scorecard</i> revision exercises BHIMANI ET AL Chapter 22 Cox, B (1979) Value added: An appreciation for the accountant concerned with industry. Heinmann, London Ch.1 and Ch.3 Gilchrist,R (1971) managing for profit: the value added approach. Allen and Unwin , London Kaplan, R.S & Norton, D.s The balanced scorecard – measures that drive performance. Harvard business review Jan/Feb 1992 Maltz, C.M; Shenhar, A J. and Reilly, R.R. (2003) Beyond the balanced scorecard: Refining the search for organizational success measures. Long range planning 36, 187-204
Week 8	<b>Lecture</b> <b>Workshop</b> <b>Reading</b>	<i>Control Systems and Transfer Pricing</i> <b>Group 2 presentation</b> BHIMANI ET AL Chapters 18 &19
Week 9	<b>Lecture</b>	<i>Investment Appraisal Techniques I</i>

**Workshop** revision exercises  
**Reading** BHIMANI ET AL Chapter 13 Kennedy, J. A. and Sugden, K.F. (1986) "Ritual and Reality in Capital Budgeting", *Management Accounting*, February 1986 pp.34-

Week 10 **Lecture** *Revision Lecture*  
**Workshop** **Group 3 presentation**

### Spring Term

Week 11 **Lecture** *Investment Appraisal II: NPV, tax, inflation and other issues*  
**Workshop** Revision exercises  
**Reading** BHIMANI ET AL Chapter 13;  
 Ashton, Hopper and Scapens Chapter 9

Week 12 **Lecture** *Make or buy decisions*  
**Workshop** **Group 4 Presentation**  
**Reading** BHIMANI ET AL Chapter 10

Week 13 **Lecture** *Guest Lecture Speaker TBD Management Accounting for Sustainability*  
**Workshop** Revision Exercises  
**Reading** Bonacchi, M.; Rinaldi, L. (2006) "A performance measurement system for sustainability", in Epstein, M.J. and Manzoni, J.F. (Editors) (2006), *Studies in Managerial and Financial Accounting, volume 16*, ELSEVIER

Weeks 14 **Lecture** *From a manufacturing to a service /knowledge environment--issues*  
**Workshop** **Group 5 presentation**  
**Reading** Simons, R (1995) Control in the age of empowerment *H.B.R*  
 Drucker,P (1999) Knowledge-worker productivity: The biggest challenge. *California management review*, 41, 79-94  
 Little,S; Quintas,P & Ray,T (1998) Managing knowledge Open University and Sage Publications, London.

Week 15 **Lecture** *Organisation Accountability and the Capital markets.*  
**Workshop** **No Workshop - Individual Surgery Time**  
**Reading** Lazonic,W and O' Sullivan (2000) Maximising shareholder Value, *Economy and Society*, Vol.29 , 13-35  
 Handy, C (2002) What's a business for? *H.B.R.*  
 Rappaport, A (1998) Creating Shareholder Value (2<sup>nd</sup> Edition) *New York free press*

Week 16 **Lecture** *From a shareholder to a stakeholder view*  
**Workshop** revision exercises:  
**Reading** Mintzberg, H; Simons, R. & Basu, K. (2002, Fall) Beyond Selfishness *Sloan management Review*.  
 Hart,S and Milstein,M (2003) Creating sustainable value. *Academy of management executive* Vol.17, no.2 56-69  
 Gray,R (2001) Thirty years of social accounting, reporting and auditing: What (if anything) have we learnt? *Business ethics: A European review*.

Week 17 **Lecture** *Pricing, Target Costing and Customer Profitability*  
**Workshop** revision exercises.  
**Reading** BHIMANI ET AL Chapter 12

Week 18	<b>Lecture</b> <b>Workshop</b> <b>Reading</b>	<i>Break-Even Analysis</i> revision exercises. BHIMANI ET AL Chapter 8 & 9
Week 19	<b>Lecture</b> <b>Workshop</b> <b>Reading</b>	<i>Management accounting, Control and Strategy. Dependency and relationships</i> <b>Exam Revisions</b> Lord, (1996) 'Strategic management accounting: the emperor's new clothes, <i>Management Accounting Research</i> , 7, pp.347-366 Roslender, R., Hart, S. and Ghosh, J. (1998) 'Strategic Management Accounting: refocusing the agenda', <i>Management Accounting</i> , December, 1998, pp. 44-46. Bromwich, M. (1990) 'The Case for Strategic Management Accounting: The Role of Accounting Information for the strategy in Competitive Markets', <i>Accounting Organizations and Society</i> , Vol. 15, No. 12, pp. 27-46.
Week 20	<b>Lecture</b> <b>Workshop</b>	<i>Revision session.</i> <b><u>No workshop</u> - Individual surgery time</b>

### Assessments

30% of the total marks available for the course will be for two in-course assessments (**10% for Assignment 1; 20% of the marks for assignment 2**). The remaining 70% of the mark will come from the results of a 3-hour examination at the end of the course. The examination tests your ability to answer computational questions and demonstrate your ability to apply techniques covered on the course. It also allows you to demonstrate your ability to explain and evaluate the techniques and demonstrate your wider reading in the general subject area.

### *In-course assessments*

#### **Assessment 1**

Assessment 1 is will be a group-based presentation and you will be allocated to sub-groups to provide this. The topics are indicated below and the marks will be awarded for the overall quality of the materials you produce (handouts, overhead slides) (25%) the delivery of the material (your presentation) (25%) and the content (50%). As a guideline, your presentation should last for between of 15 to 20 minutes each. You should bring along to your presentation a set of acetate slides which can be used in the event that you are unable to use a laptop/projector. At the presentation, you will be expected to provide your tutor and each member of your workshop group with hard copy (black and white) of a piece of writing (report/essay/other, *maximum 1000 words*) plus a copy of any slides you produce. You will also be expected to provide your tutor with a "group presentation agreement" signed by all of you that you have contributed to the presentation. The marks awarded for each assessed group presentation will be the same for all members in the group unless one or more students in the group formally write(s) to either Dr. John Ahwere-Bafo or Dr Leonardo Rinaldi (available only during the Spring Term) by e-mail before the start of the weekly session in which the presentation is made to argue that the contribution of one or more member(s) of the group has been below expectation of majority of the group members (not just one member). In these circumstances, the Tutor will endeavour to reach an amicable arrangement with the affected members of the group. However, you must bear in mind that the more you are unable to get along in a group; chances are that you are failing in your group dynamics skills. This means that if one or more students do not contribute a fair proportion of the work in preparation for the presentation that student (or those students) can expect to receive a lower mark for the group presentation than the other students in the group.

For all presentations, students who are not making the presentation will be expected to ask questions informed by a reading of the suggested materials (**i.e. assume the role of Consultants**).

#### Group 1 presentation –

You are required to present a case to the Director of Finance of \*\*\*\* (choose a real your company/organisation or make one up) to explain how ABC/ABM might be useful in your organisation. You should also discuss any possible problems with the technique in the

context of the company/organisation.

Group 2 presentation –

Your organization has been experiencing a lot of product returns. The product development team and finance team have just been briefed by an external Consultant regarding the benefits of installing a Quality Control System in your organization. Your CFO has asked you to prepare a report to account for costs of poor quality products and how systems like JIT and throughput accounting can help stall this trend.

Group 3 presentation -

Over the past 20-30years Accounting has experienced some innovations. You were at an international conference recently and had the privilege to be talked to by management gurus Drs Kaplan and Norton on the balanced scorecard. Your CFO who was with you at the conference was so fascinated that he asked you to draft a debriefing report for the entire finance team on the benefits of accounting innovations like Balanced scorecard and Value added framework over traditional performance evaluation tools like the P&L.

Group 4 presentation –

You are a member of the IBM Business Challenge Team and you have been asked to debate (educate) your audience on control systems and how transfer pricing can be beneficial and yet detrimental.

Group 5 presentation –

You are asked to present the case for a major investment programme. As well as outlining the financial aspects using all the investment techniques and tools you know of, you are also required to assess the qualitative issues especially any environmental and sustainability concerns that may arise. Please choose carefully a company (e.g. Oil exploration) which would put your case across perfectly.

### Assessment 2

This piece of work will be a numerical question on a topic to be agreed during the early part of term 2. This assignment needs to be submitted by **12 noon Thursday 08<sup>th</sup> March 2012**

### Recommended Text Books

The main texts for this course will be Bhimani, A., Horngren, CT, Foster, G. and Datar, SM. (2008) *Management and Cost Accounting*, Hemel Hempsted, Prentice Hall, 4th Edition. We will provide alternative readings from the different texts. Some additional readings from academic journals will also be expected.

**The College bookshop is matching the price on Amazon and elsewhere.** For your convenience and to support the College bookshop, please endeavour to buy your book from the College bookshop.

All papers noted for reading are also obtainable from the sources directly with a little more effort. You should also ensure that you are reading the journals in the area to pick up the latest information, in particular the academic journals, *Management Accounting Research* and the professional journal *Management Accounting* - the journal of the Chartered Institute of Management Accountants are relevant.

### Workshop Allocation

If you have a problem timetabling your workshop please contact the Teaching Programmes and Admissions Office.

**N.B. Please ensure that you keep all course outlines as they will prove valuable in obtaining exemptions for postgraduate qualifications, e.g. CIMA and useful for future employers. Note that the Department only keep previous year's outlines for a limited period.**

Current outlines and other course materials are available from the School of Management Web Site - <http://www.ms.rhul.ac.uk/courses/index.htm>