



Lahore University of Management Sciences

ACCT-130 – Principles of Management Accounting Fall 2013

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Course URL (if any)	LMS

Course Basics				
Credit Hours	3			
Lecture(s)	Nbr of Lec(s) Per Week		Duration	
Recitation/Lab (per week)	Nbr of Lec(s) Per Week		Duration	
Tutorial (per week)	Nbr of Lec(s) Per Week		Duration	

Course Distribution	
Core	
Elective	
Open for Student Category	
Close for Student Category	

COURSE DESCRIPTION
Principles of Management Accounting, is a foundation level course in accounting. In this course, basic managerial accounting concepts are introduced to aid students in apprehending the role of accounting in planning, decision-making and controlling. Basic cost terminologies and concepts are introduced before studying product cost accumulation methods and other modern costing techniques. The emphasis in this course is on understanding the importance and use of cost information for decision-making purposes. Only by understanding how much things cost, can managers effectively and strategically reach decisions and evaluate results in today’s competitive market. From the evaluation of past results, your role as a manager would then be to plan and control future activities; hence, the course will then cover the use of cost accounting information for management decision-making including the role of budgeting as a management control tool.

COURSE PREREQUISITE(S)
<ul style="list-style-type: none"> • • • N/A

COURSE OBJECTIVES
<ul style="list-style-type: none"> • The objective of the course is to ensure that students develop a functional knowledge of basic managerial accounting principles. This will include: <ul style="list-style-type: none"> (a) An understanding of the differences between financial and managerial accounting, (b) The ability to calculate costs in both a job order and process cost accounting system and understand the cost flow, (c) An understanding of the types of costs and how they behave in order to conduct cost-volume-profit analyses, (d) An understanding of the role and purpose of activity based costing for decision making purposes including the ability to calculate costs under an ABC system, • •



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	<p>(e) An understanding of the different types of budgets and the ability to prepare static and flexible budgets</p> <p>(f) The ability to perform standard cost variance analyses and fixed and variable overhead variance analyses and interpret these results,</p> <p>(g) Understand the role of accounting information in business decision making</p> <p>(h) Understand the basic design of management control system including performance measurement, responsibility accounting etc.</p> <p>(i) Understand the role of ethics in managerial accounting decision-making</p>
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Learning Outcomes

<ul style="list-style-type: none"> • • • 	<p><u>Instructional methodology</u></p> <p>The course will consist of a series of lectures. You are expected to come to class prepared and participate in the discussions. Large amounts of materials will be covered quickly and each session builds on previous ones. It is therefore important for you to remain current and master the basic concepts early in the course in order to grasp the more difficult ones later on in the course.</p> <p>Success in mastering managerial accounting concepts is greatly enhanced by solving practical problems. You will only benefit from class discussions if you have first attempted to solve some problems on your own. Do not approach the course with the attitude of memorizing rules or particular solution techniques. We will provide in-class examples and self-study problems that are designed to help you understand and apply the key concepts. Examination questions will test your understanding of those concepts, but by posing problems or conceptual questions that differ from those that you have seen before.</p> <p><u>Course Material:</u> Managerial Accounting, 12th edition, Garrison, Noreen, & Brewer, McGraw Hill.</p> <p><u>Attendance Requirements:</u> Regular and in time attendance is required in this course. CP and attendance together account for 10% of the final grade. Up to 5 absences will not result in any grade loss. However, absences exceeding this will result in a proportionate reduction in marks.</p> <p><u>Course Evaluation</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Quizzes (Lowest scoring quiz will be dropped)</td> <td style="text-align: right; padding-right: 20px;">15%</td> </tr> <tr> <td style="padding-left: 40px;">Midterm Exam</td> <td style="text-align: right; padding-right: 20px;">35%</td> </tr> <tr> <td style="padding-left: 40px;">Class Participation and Attendance</td> <td style="text-align: right; padding-right: 20px;">10%</td> </tr> <tr> <td style="padding-left: 40px;">Final Exam</td> <td style="text-align: right; padding-right: 20px;">40%</td> </tr> </table> <hr style="border: 0.5px solid black; margin-top: 10px;"/> <p>- There will be no make-up for missed quizzes and a missed quiz will be considered as the lowest scoring quiz.</p>	Quizzes (Lowest scoring quiz will be dropped)	15%	Midterm Exam	35%	Class Participation and Attendance	10%	Final Exam	40%
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Midterm Exam	35%								
Class Participation and Attendance	10%								
Final Exam	40%								

Grading Breakup and Policy

Assignment(s): Home Work: Quiz(s): Class Participation: Attendance: Midterm Examination: Project: Final Examination:



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Examination Detail	
Midterm Exam	Yes/No: Combine Separate: Duration: Preferred Date: Exam Specifications:
Final Exam	Yes/No: Combine Separate: Duration: Exam Specifications:

COURSE OVERVIEW			
Week/ Lecture/ Module	Topics	Recommended Readings CHAPTERS	Objectives/ Application
01	Managerial Accounting and the Business Environment	Chapter 1	
02, 03	Cost Terms, Concepts, and Classifications	Chapter 2	
04, 05	Job Order Costing	Chapter 3	
06	Cost Behavior: Analysis and Use	Chapter 5	
07, 08	Cost-Volume-Profit Relationships	Chapter 6	
09, 10	Profit Planning	Chapter 9	
11	Variable Costing	Chapter 7	
12, 13	Process Costing	Chapter 4 (including Appendix)	
14	Mid Term Review Session		
15	MID-TERM EXAM		
16, 17, 18	Activity-Based Costing	Chapter 8	
19, 20	Standard Costs and the Balanced Scorecard	Chapter 10	
21, 22	Flexible Budgets and Overhead Analysis	Chapter 11	
23	Decentralization and Segment Reporting	Chapter 12	
24	Transfer pricing and Service Department Charges	App 12A and 12B	
25, 26	Relevant Costs for Decision Making	Chapter 13	
27	A basic introduction to Cost Management techniques (target costing, LCC, etc.)		
28	Review Session		

Textbook(s)/Supplementary Readings



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Course Outline

Chapter 1: Managerial Accounting and the Business Environment

Chapter Objectives:

- a. Identify the major differences and similarities between financial and managerial accounting.
- b. Understand the role of management accountants in an organization.
- c. Understand the basic concepts underlying Just-In-Time (JIT), Total Quality Management (TQM), Process Reengineering, and the Theory of Constraints (TOC).
- d. Understand the importance of upholding ethical standards.

Practice problems:

Chapter 2: Cost Terms, Concepts, and Classifications

Chapter Objectives:

- a. Identify and give examples of each of the three basic manufacturing cost categories.
- b. Distinguish between product costs and period costs and give examples of each.
- c. Prepare an income statement including calculation of the cost of goods sold.
- d. Prepare a schedule of cost of goods manufactured.
- e. Understand the differences between variable costs and fixed costs.
- f. Understand the differences between direct and indirect costs.
- g. Define and give examples of cost classifications used in making decisions: differential costs, opportunity costs, and sunk costs.

Practice problems:

Chapter 3: Systems Design: Job-Order Costing

Chapter Objectives:

- a. Distinguish between process costing and job-order costing and identify companies that would use each method.
- b. Identify the documents used in a job-order costing system.
- c. Compute predetermined overhead rates and explain why estimated overhead costs (rather than actual overhead costs) are used in the costing process.
- d. Apply overhead cost to jobs using a predetermined overhead rate.
- e. Determine underapplied or overapplied overhead.
- f. Use the direct method to determine cost of goods sold.

Practice problems:



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Chapter 4: Systems Design: Process Costing

Chapter Objectives:

- a. Record the flow of materials, labor, and overhead through a process costing system.
- b. Compute the equivalent units of production using the weighted-average method.
- c. Prepare a quantity schedule using the weighted-average method.
- d. Compute the costs per equivalent unit using the weighted-average method.
- e. Prepare a cost reconciliation using the weighted-average method.
- f. Compute the equivalent units of production using the FIFO method.
- g. Prepare a quantity schedule using the FIFO method.
- h. Compute the costs per equivalent unit using the FIFO method.
- i. Prepare a cost reconciliation using the FIFO method.

Practice problems:

Chapter 5: Cost Behavior: Analysis and Use

Chapter Objectives:

- a. Understand how fixed and variable costs behave and how to use them to predict costs.
- b. Use a scatter graph plot to diagnose cost behavior.
- c. Analyze a mixed cost using the high-low method.
- d. Prepare an income statement using the contribution format.

Practice problems:

Chapter 6: Cost-Volume-Profit Relationships

Chapter Objectives:

- a. Explain how changes in activity affect contribution margin and net operating income.
- b. Prepare and interpret a cost-volume-profit (CVP) graph.
- c. Use the contribution margin ratio (CM ratio) to compute changes in contribution and net operating income resulting from changes in sales volume.
- d. Show the effects on contribution margin of changes in variable costs, fixed costs, selling price, and volume.
- e. Compute the break-even point in unit sales and sales dollars.
- f. Determine the level of sales needed to achieve a desired target profit.
- g. Compute the margin of safety and explain its significance.
- h. Compute the degree of operating leverage at a particular level of sales and explain how it can be used to predict changes in net income.
- i. Compute the break-even point for a multiproduct company and explain the effects of shifts in the sales mix on contribution margin and the break-even point.

Practice problems:

Chapter 7: Variable Costing: A Tool for Management

Chapter Objectives:

- a. Explain how variable costing differs from absorption costing and compute unit product costs under each method.
- b. Prepare income statements using both variable and absorption costing.
- c. Reconcile variable costing and absorption costing net operating incomes and explain why the two amounts differ.
- d. Understand the advantages and disadvantages of both variable and absorption costing.



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Practice problems:

Chapter 8: Activity-Based Costing: A Tool to Aid Decision Making

Chapter Objectives:

- a. Understand activity-based costing and how it differs from a traditional costing method.
- b. Assign costs to cost pools using a first-stage allocation.
- c. Compute activity rates for cost pools.
- d. Assign costs to a cost object using a second-stage allocation.
- e. Use activity-based costing to compute product and customer margins.

Practice problems:

Chapter 9: Profit Planning

Chapter Objectives:

- a. Understand why organizations budget and the processes they use to create budgets.
- b. Prepare a sales budget, including a schedule of expected cash collections.
- c. Prepare a production budget.
- d. Prepare a direct materials budget, including a schedule of expected cash disbursements for purchases of materials.
- e. Prepare a direct labor budget.
- f. Prepare a manufacturing overhead budget.
- g. Prepare a selling and administrative expense budget.
- h. Prepare a cash budget.
- i. Prepare a budgeted income statement.
- j. Prepare a budgeted balance sheet.

Practice problems:

Chapter 10: Standard Costs and the Balanced Scorecard

Chapter Objectives:

- a. Explain how direct materials standards and direct labor standards are set.
- b. Compute the direct materials price and quantity variances and explain their significance.
- c. Compute the direct labor rate and efficiency variances and explain their significance.
- d. Compute the variable manufacturing overhead spending and efficiency variances.
- e. Understand how a balanced scorecard fits together and how it supports a company's strategy.
- f. Compute delivery cycle time, throughput time, and manufacturing cycle efficiency (MCE).

Practice problems:

Chapter 11: Flexible Budgets and Overhead Analysis

Chapter Objectives:

- a. Prepare a flexible budget and explain the advantages of the flexible budget approach over the static budget approach.
- b. Prepare a performance report for both variable and fixed overhead costs using the flexible budget approach.
- c. Use a flexible budget to prepare a variable overhead performance report containing only a spending variance.
- d. Use a flexible budget to prepare a variable overhead performance report containing both a spending and efficiency variance.
- e. Compute the predetermined overhead rate and apply overhead to products in a standard cost system.



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- f. Compute and interpret the fixed overhead budget and volume variances.

Practice problems:

Chapter 12: Segment Reporting and Decentralization

Chapter Objectives:

- a. Prepare a segmented income statement using the contribution format and explain the difference between traceable fixed costs and common fixed costs.
- b. Compute return on investment (ROI) and show how changes in sales, expenses, and assets affect ROI.
- c. Compute residual income and understand its strengths and weaknesses.

Practice problems:

Chapter 13: Relevant Costs for Decision Making

Chapter Objectives:

- a. Identify relevant and irrelevant costs and benefits in a decision.
- b. Prepare an analysis showing whether a product line or other business segment should be dropped or retained.
- c. Prepare a make or buy analysis.
- d. Prepare an analysis showing whether a special order should be accepted.
- e. Determine the most profitable use of a constrained resource and the value of obtaining more of the constrained resource.
- f. Prepare an analysis showing whether joint products should be sold at the split-off point or processed further.

Practice problems: