

BMA771
Managerial Accounting

Summer Semester 2003/2004

This unit will be offered in:

Hobart and Launceston

The lecturer responsible for this unit will be:

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<http://www.utas.edu.au/management/student.htm>

Introduction to the Unit

Managerial accounting is undergoing a radical change as fundamental changes affect the private, public and not-for profit sectors of the economy. The practice of managerial accounting has evolved over the last ten years in response to these changes. There are new challenges for management accountants who must decide how best to provide the information needed for successful management of organisations in these changing times.

This unit emphasises the internal use of accounting information within different kinds of entities. It emphasises management education rather than accounting education. The unit is structured around the following topics: the objectives of financial control and cost concepts, and cost-volume-profit relationships; cost accumulation; standard variable costing; standard absorption costing; decision making; control and responsibility accounting; budgeting; capital investment decisions; non-manufacturing costs; expenditure control in the public sector; measuring and controlling divisional performance.

Blocher, Chen and Lin in their text *Cost Management: A Strategic Emphasis* comment on the role of the management accountant:

"Accounting information plays a vital role in determining the most appropriate strategic direction for the organisation. In particular, cost information is a critical type of information needed for effective management. For this reason, the role of the cost accountant has expanded. Once viewed as technical experts in accounting methods and procedures, accountants are now participants on multifunctional management teams. Procedural cost accounting methods are important, but equally important is knowing how and when to apply them for more effective decision making" (page ix).

Managerial accounting has been defined as the provision of information to support the following broad roles:

- Planning in the development of objectives, strategies, operating plans
- In the identification of organisational problem (or potential problem) areas
- In control to ensure resources are obtained and used in accordance with plans set to achieve organisational objectives

Managerial accounting must provide information, which is consistent with the emerging themes in management, for example:

- competitive pressures
- customer focus
- information technology
- quality and continuous improvement
- innovation
- value chain analysis
- empowerment
- flatter organisation structures and horizontal linkages

Managerial accounting in the future will embrace more than numerical information obtained from the ledgers and journals of the financial accounting system.

Unit Aims

The broad aims for this unit are:

For students to:

1. Acquire sufficient technical skills to analyse managerial accounting information presented by the management accountant;
2. Develop the ability to analyse a managerial accounting problem, determine the information requirements required for solution, prepare the required information, and present and evaluate possible solutions;
3. Develop the ability to determine relevant information and compute relevant information for tactical and strategic decision making; and
4. Develop written and oral skills sufficient to communicate the results of their analyses.

Texts

Prescribed Text

Langfield-Smith, K., Thorne, H. & Hilton, R. 2003. *Management accounting—An Australian perspective* (3rd ed.). McGraw Hill

School Publications

Students must obtain the following electronic publications which are available from the School of Management website:

<http://www.utas.edu.au/management/student.htm>

Writing Assignments: A Guide

School of Management Referencing Style

Recommended Reading

The publications listed below are highly recommended for further reading on the topics covered in the unit.

Books

Anthony, R. & Govindarajan, V. 2001. *Management control systems* (10th ed.). McGrawHill, USA.

Atkinson, A., Banker, R., Kaplan, R. & Young, M. 2001. *Management accounting* (3rd ed.). Prentice Hall

Folk, J., Garrison, R. & Noreen, E. 2002. *Introduction to managerial accounting*. McGraw–Hill/Irwin.

Garrison, R. & Noreen, E. 2003. *Management accounting* (10th ed.). McGraw–Hill/Irwin

Hilton, R. 2002. *Managerial accounting* (5th ed.). McGraw-Hill/Irwin

Horngren, C., Foster, G. & Datar, S. *Cost accounting—A managerial emphasis* (latest ed.). Prentice–Hall, USA.

Ingram, R., Albright T. & Hill J. 1997. *Managerial accounting. Information for decisions*. South–Western College Publishing. 0-538-86717-5

Jiambalvo, J. 2001. *Managerial accounting*. John Wiley & Sons. 0-471-23823-6

Kaplan, R. & Atkinson, A. 1998. *Advanced management accounting* (3rd ed.). Prentice Hall.

Lere, J. 1991. *Managerial accounting*. John Wiley.

Merchant, K. & Van der Stende, W. 2003. *Management control systems. Performance measurement, evaluation and incentives*. Prentice Hall. 0-273-65596-5

Morse, W., Davis, J. & A. Hartgraves. 2000. *Management accounting A strategic approach* (2nd ed.). South-Western College Publishing.

Needles, B. & Crosson, S. 2002. *Managerial accounting*. Houghton Mifflin Company. 0-618-10230-2

Smith, M. 1995. *Strategic management accounting—issues and cases*, Butterworths

Weygandt, J., Kieso, D. & Kimmel, P. 2002. *Managerial accounting. Tools for business decision making* (2nd ed.). John Wiley & Sons. 0-471-41365-8

Any other contemporary and comprehensive management accounting text

Journals and Periodicals

Apart from books, you will find it valuable to get into the practice of reading relevant articles from journals and periodicals (including newspapers and magazines).

Accounting, Organisations and Society

Charter

CPA

Financial Management (formerly, Management Accounting) UK

Harvard Business Review

Journal of Cost Management

Journal of Management Accounting Research

Management Accounting Research

Strategic Finance (formerly, Management Accounting) US

Summer Semester Structure

The Summer Semester consists of six three-hour workshops. A workshop schedule is given on page 8 of this unit outline.

Students are expected to have completed the relevant reading prior to attending the workshops. Students are encouraged to devise a study schedule involving progressive reading of textbooks in preparation for class work and assignment requirements.

Flexible Learning: WebCT

WebCT software has been incorporated into the delivery of this unit to enhance the learning experience by providing access to up to date course materials and by allowing for online discussion through this web based environment.

The School of Management has prepared a WebCT Information Sheet which includes access guidelines and contact information. It is available to download as a word document from the School of Management website:

<http://www.utas.edu.au/management/student.htm>

Privacy Policy and Notice

The School of Management takes the utmost care to protect the privacy and security of your personal information and to ensure its accuracy.

If you have any concerns about your privacy in WebCT please contact the lecturer-in-charge of this unit or view the University of Tasmania WebCT Privacy Policy Statement available from the university website on <http://www.utas.edu.au/coursesonline/privacy/index.html>.

Assessment

In order to pass this unit you must achieve an overall mark of at least 50 per cent of the total available marks. Details of each item of Coursework are provided in the Assignment Topics section.

| Method of Assessment | Value | Due Date | Length* |
|----------------------|-------|--------------------------|-------------------------|
| Coursework | | | |
| Assignment 1 | 10 | 8 th January | Maximum 2000 words |
| Assignment 2 | 30 | 27 th January | See page 10 for details |
| Examination | 60 | Exam Period | |
| Total Marks | 100 | | |

* **Word Limit:** The word limit is all-inclusive. This means that headings, in-text references, quotes and executive summaries. It **does not** include the reference list at the end of the assignment.

Examination

Format

The final examination will be of three (3) hours duration, preceded by 10 minutes reading time. The examination is worth 60 percent of the total available marks. You must bring your student identification card to the examination.

The examination consists of both theory and practical as discussed in class.

The best preparation for the exam is consistent work throughout the semester.

Scheduled date and place

Your final examination for this unit will be held during the scheduled examination period as indicated by Student Administration in correspondence to you.

Examinations will normally be scheduled Monday to Saturday inclusive. Examinations may be held during the day or evening and students should consult the university information which will be made available towards the end of semester.

You are advised to make any necessary arrangements with employers now for time off during examination period to sit this examination. Your participation at the scheduled time is not negotiable unless there are exceptional circumstances.

Note that you will be expected to sit the examination at your recorded study centre.

Supplementary Examination

Except in special circumstances and on the recommendation of the lecturer-in-charge or the Head of School, a student who fails will not be granted a supplementary examination.

Submission of Coursework

Lodging Coursework

All Coursework must have the School of Management Assignment Cover Sheet and Title Page attached. Both of which are available as a blank template from the School of Management website: <http://www.utas.edu.au/management/student.htm>

Please remember that you are responsible for lodging your written Coursework on or before the due date. We suggest you keep a copy—photocopying is ideal. Even in the most ‘perfect’ of systems, items sometimes go astray.

Hobart students: Lodge in assignment box beside room 325, Commerce & Economics Building.
Launceston students: Lodge in assignment box beside room A170.

All coursework must be handed in at 2.00 p.m. on the due date.

Late Coursework

Written Work

Extensions will only be granted on medical or compassionate grounds and will not be granted because of work or other commitments. Requests for extensions should be **made in writing** to the lecturer-in-charge prior to the due date. Medical certificates or other evidence must be attached and must contain information which justifies the extension sought.

Late assignments which have **not** been granted an extension will, at the lecturer’s discretion, be penalised by deducting ten per cent of total marks for each full day overdue.

Assignments submitted more than six days late will normally not be accepted by the lecturer-in-charge.

Tests

Students who are unable to sit a test on medical or compassionate grounds (work or other commitments are not considered 'compassionate grounds') may request that they be permitted to submit alternative Coursework.

Please do not expect a special test to be held for you if you choose to go on holidays or undertake other activities on the scheduled date. If you do need to request alternative Coursework, you should do so in writing to the lecturer-in-charge prior to the due date. Medical certificates or other evidence must be attached and must contain information which justifies the request. The telephone number of the doctor should also be included.

Return of Coursework

Coursework will be returned during classes or it can be collected from the lecturer's or tutor's room at nominated times; it will not be available from the School's offices.

Plagiarism

Plagiarism is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example downloading an essay from a cheat site, copying another student's work or using an author's words or ideas without citing the source. Plagiarism is a form of cheating. It is a University offence punishable by a range of penalties including a fine or deduction/cancellation of marks and, in the most serious of cases, exclusion from a unit, a course, or the University. **When in doubt consult your lecturer or tutor.** Details of penalties that can be imposed are available in the Ordinance of Student Discipline or at www.utas.edu.au/plagiarism.

Workshop Schedule

Workshop One **4 December, 2003**

Introduction to Managerial Accounting
Management Information Needs – Planning and Control
Cost Information and Management Decisions

Prescribed Textbook Chapters 1–3, 17 and 18

Workshop Two **5 December, 2003**

Costs and Decision Making – Short Term
Costs and Decision Making – Long Term

Prescribed Textbook Chapters 20 and 21

Workshop Three **8 January, 2004**

Cost of the Product/Service
Allocation of Cost
Job Order Costing
Process Costing

Prescribed Textbook Chapters 4–8

Workshop Four **9 January, 2004**

Activity Based Costing
Just in Time Processing
Role of Budgets in Decision Making

Prescribed Textbook Chapters 9–11, 14 and 15

Workshop Five **21 January, 2004**

Evaluation of Performance
Internal Control
Quality Management and Measurement

Prescribed Textbook Chapters 16 and 18

Workshop Six **22 January, 2004**

Managerial Accounting in a Global Business Environment
Financial Analysis

Prescribed Textbook Chapters 12 and 13

Assignment Topics

Assignment 1 – Article Analysis

Due Date: 8 January 2004

Length: Maximum 2000 words

Value: 10 marks

Answer the following:

1. What does Crowther indicate the intention of this article to be?
2. What does the author suggest performance seeks to evaluate?
3. Briefly, what are the 'dimensions of performance' identified?
4. Do you believe there is value in developing a 'performance evaluation matrix'?
5. 'It is argued in this paper that an integrated measurement and reporting system in an organisation will lead to better performance by that organisation, in whatever dimensions it measures performance, through the reduction in tension within the organisation' (p. 12). Comment on this statement.
6. 'Performance evaluation must necessarily have a future orientation for all evaluations. The appropriate measures developed through this proposed framework are likely to facilitate a better projection of the sustainability of performance levels and the future impact of current performance' (p. 12). Do you agree?

Crowther, D. 1996. Corporate performance operates in three dimensions. *Managerial Auditing Journal*, 11 (8): 4–13.

Assignment 2 – Evaluation of a Case Study

Due Date: 27 January 2004

Length: Parts 1–3: spreadsheets (printout plus disk copy)
Part 4: 300 to 400 words
Part 5: 10–15 slides plus point form discussion points (printout plus disk copy)

Value: 30 marks

Background

Trekkies Law Firm (hereafter T) is a suburban-based law firm which was formed in 1986 following the merger of three smaller law practices. T has six partners, and offers a range of legal services. T's philosophy is underpinned in its *mission* statement:

“...T's commitment is to provide the best of legal services together with the convenience of suburban access...The combined skills of the partners and their commitment to excellence enables T to provide an efficient and cost-effective service to clients.”

As a demonstration of its commitment to quality service, T recently underwent a review of its processes to achieve quality certification in line with the requirements of ISO 9000. T is the first law firm in the region to gain such accreditation and it is viewed as a source of competitive advantage by the partners.

Organization Structure

T has 32 employees and provides the following services to clients: residential and commercial property transfers; local government and environmental issues; small business matters; wills and probate; family law; personal injury and other litigations.

The organization is structured to take account of each partner's specialization. As well as the six partners, T employs two solicitors and four paralegals. Each partner and employee solicitor has his or her own secretary. Administrative Officers are also employed to maintain the firm's library and to safeguard legal documents held on behalf of clients. In fact, documents are stored at no cost for any person requesting such a service. The organization structure is illustrated in exhibit 1.

While each of the fee earners has their own area of specialty, many of them perform services in other areas. This service is provided to their regular clients who require legal work in other areas of law. The time spent by each fee earner in each area of law over the preceding twelve months is detailed in exhibit 2.

Costing—Current Practice

T maintains little in the way of separate cost records, other than those recorded in the general ledger. When the fee earners are working on a particular file (performing a service for a client) they are expected to maintain a running record of time spent, as well as any other direct costs incurred in performing the service, though some fee earners are more diligent in this practice than others. Time spent is recorded in time units, where one time unit is equal to six minutes. This relates directly to the determination of the fee charged to clients. Historically, the fee charged (the charge-out rate) varies according to which fee earner performs the service, adjusted according to the ability of the client to pay and what the market will bear. Moreover, the legal profession provides suggested fee scales. The charge-out rates have remained the same for some years, and are expected to cover all costs and contribute to organizational profit.