

Ateneo Graduate School of Business  
Rockwell Center, Makati City

## **MANAGERIAL ACCOUNTING**

Ateneo-Standard MBA Program

Revised: July 2012

FINANCE CLUSTER  
Ateneo-Standard MBA Program  
Ateneo Graduate School of Business  
Rockwell Center, Makati City

**COURSE TITLE: MANAGERIAL ACCOUNTING**

**COURSE CODE: MANACC**

**COURSE DESCRIPTION:**

Managers need information in their planning and control functions. Financial information is provided not only to report the firm's financial position and operating results but to guide managers in optimizing the resources entrusted to the firm by its many stakeholders.

The course introduces a business-management approach to the development and use of accounting information particularly for internal reporting and decision making. Topics include the analysis of financial reports, cost concepts and cost accumulation methods, CVP analysis, standard costing, operational and capital budgeting, segment reporting, relevant costing, and cost management and pricing strategies. In discussing the various topics emphasis will be given on how cost and profit information can guide managers in making operational and strategic decisions. Ethics, corporate governance, enterprise risk management and corporate social responsibility will also be discussed in relation to accounting practices by firms.

**COURSE OBJECTIVES:**

Upon successful completion of this course, students are expected to competently:

1. Explain the use of accounting information for internal reporting and management decision-making;
2. Audit a firm's performance by doing financial statement analysis, considering the perspectives of various shareholders;
3. Discuss various cost concepts, cost accounting and cost allocation systems considering different business situations;
4. Analyze cost behavior patterns and the relationships of cost, volume, price and mix to optimize profit;
5. Develop approaches for planning and control, to include developing budgets, standards and performance analysis;

6. Identify performance measures that business segments can use in auditing the implementation of cost, profit and investment strategies;
7. Analyze relevant cost accounting information in relation to various strategies such as divestiture, outsourcing, special order, utilization of a constrained resource, etc.;
8. Apply the concepts and tools used in capital budgeting, including the time value of money; and
9. Discuss challenges in managerial accounting as regard ethics, corporate governance, enterprise risk management and corporate social responsibility;

**NOTE: THE FOLLOWING SKILLS SHOULD BE MASTERED IN PREPARATION FOR THE CAPSTONE COURSE, STRATEGIC MANAGEMENT (STRAMA), AS THESE SKILLS WILL BE REQUIRED TO BE DEMONSTRATED IN THE STRAMA PAPER TO BE PRESENTED AND DEFENDED IN FRONT OF A PANEL.**

1. **Financial analysis and interpretation** (see Course objective No. 2) – the Learner is expected to perform an internal analysis of the financial condition and profitability of the subject company using such analytical tools and techniques covered in the course such as vertical and horizontal analysis, ratios, and the Du Pont method; this skill is predicated on the learner's working knowledge of the accounting principles, processes and methods
2. **Cost-volume profit analysis, break-even point and contribution margin analysis** (see Course Objective No. 4) – the Learner is expected to determine the profitability and viability of the subject company's product lines and to set target sales figures to achieve strategic objectives using the principles and methods learned in the course
3. **Capital budgeting** (see Course Objective No. 8) – the Learner must know how to evaluate long-term investments using the discounted cash flow method through a working knowledge of how to determine cash flows, calculate present values of cash flows, and calculate weighted average cost of capital (WACC) to serve as a discount factor. He should also be able to determine the internal rate of return. This skill is needed to be demonstrated in the Strama paper especially when there is a strategic option to acquire a company or set up factories which require commitment of significant resources.
4. **Performance evaluation** (see Course objective No. 9)- the learner must know how to evaluate performance using the principles of responsibility centers, ROI and Residual income methods and the use of segment reporting, master budgeting and variance analysis especially as it relates to programs and action plans that support strategies to meet certain marketing, operational and financial objectives; likewise, the learner must know the Balanced Score Card method as a way of evaluating and monitoring strategies

5. **Risk assessment and management** (see Course objectives No. 9) – the Learner is expected to be alert to business and financial risks and be able to manage them. This is useful as a paradigm when performing internal analysis of the object company in the STRAMA.

**COURSE OUTLINE:**

TOPIC	SESSION
Accounting and the Business Environment	1
Analyzing Financial Statements	2
Cost Concepts and Classifications	3
Cost Systems: Job-Order and Process Costing	4
Cost Behavior and Cost-Volume-Profit Relationships	5
Variable Costing	6
Activity-Based Costing	7
Mid-Term Examinations	8
Budgeting and Performance Analysis	9
Standard Costs and Operating Performance Measures	10
Segment Reporting, Decentralization and the Balanced Scorecard	11
Relevant Costs for Decision Making	12
Capital Budgeting Decisions	13
Internal Control and Cost Saving Strategies	14
Final Examinations	15

**COURSE REQUIREMENTS:**

1. **ATTENDANCE:**

The class will meet once a week, for three hours each week, for a fifteen week period. Students are expected to attend all class sessions for this course. If an absence is unavoidable, the professor should be informed beforehand.

2. **WRITTEN ASSIGNMENTS:**

An important component of this course is the completion and submission of written assignments on their due dates. The work submitted should be professionally done, typed double-spaced, with margins, page numbers, running heads and appropriate heading to divide topic sections. For exercises and problems, all requirements should be met including the presentation of solutions that will support the answers, preferably use excel for these. Identify the person or group members, including the group number, who did the work on the front page.

The following rubric will be used in assessing the quality of written assignments:

Traits	1	2	3	4
<b>Effective Analysis</b>	Presents an incomplete	Presents a superficial	Presents a thorough	Presents insightful and

	analysis of the issues identified.	analysis of some of the issues identified; omits necessary financial calculations.	analysis of most issues identified; includes most necessary financial calculations.	thorough analysis of all issues identified; includes all necessary financial calculations.
<b>Percentage of Requirements (Exercises/Problems/Cases) Completed</b>	Failed to meet 70% of the requirements.	70-79% of the requirements are completed.	80-89% of the requirements are completed.	95-100% of the requirements are completed.
<b>Timely Submission</b>	Submitted after a week from the due date.	Submitted within a week from the due date.	Submitted a day after the due date.	Submitted on time.
<b>Writing Mechanics</b>	Writing is unfocused, rambling, or contains serious errors; lacks detail and relevant data and information; poorly organized.	Writing lacks clarity or conciseness and contains numerous errors; gives insufficient detail and relevant data and information; lacks organization.	Writing is accomplished in terms of clarity and conciseness and contains only a few errors; included sufficient details and relevant data and information; well-organized.	Writing demonstrates a sophisticated clarity, conciseness and correctness; includes thorough details and relevant data and information; extremely well-organized.

### 3. **GROUP PRESENTATIONS:**

Groups will be formed at the start of the course to do a presentation on assigned topics for the term. Each group will be responsible for a given session and will limit their report to an hour and a half. The group assigned for a given session is not required to submit the assignment for that session except to prepare for the presentation unless the professor so requires.

The following should be considered in the presentation:

- The presentation should be comprehensive achieving the objectives set for the session.
- Use the assigned exercises and problems to illustrate the application of a given concept.
- Cite actual business examples or cases that show how the concepts are being applied in practice.

- Organize the presentation making sure that there is flow, continuity and cohesiveness in the presentation of materials. Ensure that the class can follow easily the presentation.
- Engage the class by using innovative strategies like utilizing appropriate business games to introduce a topic, showing video clips, presenting accounting systems and technologies employed by firms, etc.
- Give time for the class to raise questions, clarify issues presented and to share their own opinions and business experiences as regard the topics being discussed.
- Work as a team in preparing and in doing the actual presentation particularly in responding to queries. Note: It is important that group members rate their peers using the peer rating sheet provided.
- A power point or any appropriate instructional media should be used and the same should be made available to the entire class and the professor.
- The following rubric will be used in assessing the quality of the presentation:

Traits	1	2	3	4
<b>Content</b> <i>Did the presentation have valuable material relevant to the topics assigned?</i>	Presentation contained little to no valuable material.	Presentation had moments where valuable material was present but as a whole content was lacking.	Presentation had a good amount of material (occasionally using exercises and problems to illustrate a concept or citing actual business cases) and benefited the class.	Presentation had an exceptional amount of valuable material (using exercises and problems to illustrate a concept, citing actual business cases) and was beneficial to the class.
<b>Organization</b> <i>Was the presentation well organized and easy to follow?</i>	The presentation lacked organization and had little evidence of preparation.	There were minimal signs of organization or preparation.	Presentation had organizing ideas but could have been much stronger with better preparation.	Presentation was well organized, well prepared and easy to follow.
<b>Presentation</b> <i>Did the presenters speak clearly? Did they engage the class? Was it obvious the material had been rehearsed?</i>	Presenters were unconfident and demonstrated little evidence of planning prior to presentation.	Presenters were not consistent with the level of confidence/ preparedness they showed the classroom but had some strong moments.	Presenters were occasionally confident with their presentation however it was not as engaging as it could have been for the class.	Presenters were all very confident in delivery and they did an excellent job of engaging the class. Preparation is evident.
<b>Collaboration</b> <i>Did everyone contribute to</i>	The members never worked from others'	The members sometimes worked	The members worked from others' ideas	The members always worked from others'

<i>the presentation? Did everyone seem well versed in the material?</i>	ideas. It seems as though only a few people worked on the presentation.	from others' ideas. However it seems as though certain people did not do as much work as others.	most of the time. And it seems like everyone did some work, but some people are carrying the presentation.	ideas. It was evident that all contributed equally to the presentation.
<b>Use of Media</b> <i>Did the group use any media or materials to support their presentation? Did they reinforce the presentation and are appropriate, easy to understand and attractive?</i>	Media is superfluous or nothing was used during the presentation.	Relies heavily on the media used. Materials rarely support the presentation.	Looks at the materials often to keep track of the presentation. They are easy to use and understand.	Media are used effortlessly to enhance presentation. Materials are appropriate, easy to understand, and attractive.

4. ***MIDTERM and FINAL EXAMINATIONS:***

A midterm examination will be given on Session 8 and final examination will be on Session 15. The purpose of these examinations is to assess students understanding of the concepts learned within the period covered by the tests. Qualitative and quantitative questions will be given usually in the form of true or false questions, multiple choice, problem-solving exercises and case analysis. The emphasis will be solving problems and cases that utilize accounting tools.

For examinations, the grade will be based on the number of correct answers and will use the following rubric:

- 4 – 90-100% of the total questions answered are correct
- 3 – 80-89% of the total questions answered are correct
- 2 – 70-79% of the total questions answered are correct
- 1 – 69% and below of the total questions answered are correct

5. ***FINAL PAPER:***

Each student will be required to submit a final paper about their respective company. This will require the student to do a research on a case situation faced currently by their firm, either a problem that has revenue or cost implications or a decision issue that will lead to further improvement in asset use. The student will do an analysis of the situation including all related issues and will make a proposal specifying actions that will provide a response to the situation. It is important that relevant concepts and tools learned in Managerial Accounting are appropriately used in the analysis and becomes the basis of the proposed recommendations. The estimated financial impact or benefit of those recommendations if implemented should also be shown. The paper should contain the following parts:

1. Brief company background

2. Presentation and discussion of the case
3. Analysis including how the case situation is affecting the financial condition or operations of the firm
4. Proposed recommendation on how to address the issue or problem showing the estimated financial benefit derived in its implementation

The following rubric will be used in assessing the quality of the final paper:

Traits	1	2	3	4
<b>Completeness</b>	Incomplete in most respects; does not reflect requirements.	Incomplete in many respects; reflects few requirements.	Complete in most respects; reflects most requirements.	Complete in all respects; reflects all requirements.
<b>Analysis and Use of Managerial Accounting Concepts and Tools</b>	Presents an incomplete analysis of the issues identified; makes little or no connection with concepts and tools learned in Managerial Accounting.	Presents a superficial analysis of some of the issues identified; makes appropriate but somewhat vague connections with concepts and tools learned in Managerial Accounting.	Presents a thorough analysis of most issues identified; makes appropriate connections with concepts and tools learned in Managerial Accounting.	Presents an insightful and thorough analysis of all issues identified; makes appropriate and powerful connections with concepts and tools learned in Managerial Accounting.
<b>Recommendations</b>	Presents unrealistic or inappropriate recommendations with little, if any, support from information presented and concepts learned in Managerial Accounting.	Presents realistic or appropriate recommendations supported by the information presented and concepts learned in Managerial Accounting.	Presents specific, realistic and appropriate recommendations supported by the information presented and concepts learned in Managerial Accounting.	Presents detailed, realistic, and appropriate recommendations clearly supported by the information presented and concepts learned in Managerial Accounting.
<b>Writing Mechanics</b>	Writing is unfocused, rambling, or contains serious errors; lacks detail and relevant data and information; poorly organized.	Writing lacks clarity or conciseness and contains numerous errors; gives insufficient detail and relevant data and information; lacks organization.	Writing is accomplished in terms of clarity and conciseness and contains only a few errors; included sufficient details and relevant data and information; well-organized.	Writing demonstrates a sophisticated clarity, conciseness and correctness; includes thorough details and relevant data and information; extremely well-organized.

The professor may impose additional requirements as he deems appropriate.

**RESEARCH WORK:**

For research work, references used should be cited accordingly. AGSB recommends the use of standard style guides with preference to that of the American Psychological Association (APA). The following websites are suggested as guide references:

- <http://www.aresearchguide.com/styleguides.html>
- <http://apastyle.org/electref.html>
- <http://www.bedfordstrmartins.com/online/shrtoc.html>

**INTEGRATION AND METHODOLOGY:**

The facilitator will show the relationship of topics in this course with issues faced in finance, operations, marketing, human resources, and management. Interactive methods and various strategies will be used to provide the best learning experience possible considering the students' academic and professional background.

This module serves as the blueprint on how the course will unfold. The facilitator, however, may introduce new topics and modify certain strategies in order to be more responsive to the students' expressed needs.

**GRADING CRITERIA:**

The professor will utilize the following criteria for grading:

Assigned Exercise, Problems and Cases	20%
Group Report	20%
Midterm Examination	20%
Final Examination	20%
Final Project	20%
<b>TOTAL</b>	<b>100%</b>

Should the professor require a different set of criteria, he should disclose it to the students at the start of Session 1.

The following Quality Point Index Scale will apply to all courses in the MBA Program:

4.0	=	98-100
3.5	=	95-97
3.0	=	92-94
2.5	=	89-91
2.0	=	86-88
1.5	=	85 (minimum pass)
1.0	=	84 (fail)
INC	=	Incomplete (1.0 if not completed within allowed time)
UW	=	Unauthorized withdrawal (equivalent to 1.0)
W	=	Officially withdrawn

### **SPECIAL ACCOMODATIONS:**

If a learner is in need of course adaptation or special considerations due to certain disability or other problems or constraints. The same should be discussed with the instructor ASAP.

### **ACADEMIC INTEGRITY POLICY:**

Each learner is responsible to know the standards of conduct and expectations of academic integrity that apply to scholarly undertakings. Academic dishonesty will not be tolerated and will result in the maximum penalty allowable as defined in the Student Guidebook. The following are considered serious violations per Guidebook:

- Cheating during exams.
- Submitting spurious reports copied from previous materials other than his/her own.
- Plagiarism.

In understanding what constitutes Plagiarism, see the following sites:

<http://www.engl.niu.edu/comskills/students/plagiarism/Plagiarism.html>

<http://www.monet.k12.ca.us/Challenge/Plagiarism/Plagiarism.htm>

In addition to what is stated in the Guidebook, the following are examples of academic dishonesty, which are pertinent to the requirements of this course:

- Copying another learner's work including assignments and reports
- Use of "crib" sheets or other hidden note for a quiz or an exam
- Receiving assistance from anyone else with take-home quizzes
- Providing an answer without the appropriate solution.

### **MATERIALS OF INSTRUCTIONS:**

1. Textbook:  
Garrison, Noreen, Brewer, Cheng and Yuen  
**MANAGERIAL ACCOUNTING, AN ASIAN PERSPECTIVE**  
Singapore: The McGraw-Hill Education (Asia), 2012
2. Supplementary materials:  
Chartered Institute of Management Accountants (CIMA)  
**HANDBOOK OF MANAGEMENT ACCOUNTING, 4<sup>th</sup> EDITION**  
Oxford, UK: CIMA Publishing, 2007  
  
Ronald W. Hilton, Michael W. Maher, Frank H. Selto  
**COST MANAGEMENT:STRATEGIES FOR BUSINESS DECISIONS, 4<sup>th</sup> EDITION**  
Boston, Mass.: McGraw-Hill/Irwin, 2008  
  
Anthony, A.N., Hawkins, D.F., and Merchant, K.A.  
**ACCOUNTING: TEXTS AND CASES, 13<sup>TH</sup> EDITION**  
Singapore: The McGraw-Hill Education (Asia), 2011
3. Web References:

The following APS online library resources are available for access:

a. EBSCO

b. Hoovers

(See Appendices A & B)

The following internet resources can also be used:

<a href="http://www.quickmba.com/accounting/fin/concepts/">http://www.quickmba.com/accounting/fin/concepts/</a>	A description of the basic financial accounting assumptions, principles and modifying conventions.
<a href="http://www.quickmba.com/accounting/fin/standards/">http://www.quickmba.com/accounting/fin/standards/</a>	A short description of financial accounting standards groups and authoritative bodies, its predecessors, and other accounting standards groups.
<a href="http://www.wharton.upenn.edu/mbaresource/curriculum/a_cct/">http://www.wharton.upenn.edu/mbaresource/curriculum/a_cct/</a>	Wharton MBA resource guide, provides a perspective of accounting by illustrating several specific accounting issues in a decision context, also provides discussions, lectures on advanced topics and studies.
<a href="http://www.quickmba.com/accounting/fin/statements/">http://www.quickmba.com/accounting/fin/statements/</a>	An introduction to the balance sheet, income statement, statement of retained earnings, and cash flow statement.
<a href="http://www.quickmba.com/accounting/fin/">http://www.quickmba.com/accounting/fin/</a>	Basic introduction to financial accounting, compares with managerial accounting, lists underlying assumptions, provides an example of recording transactions and introduces debits and credits.
<a href="http://accountingstudy.com/">http://accountingstudy.com/</a>	Comprehensive source of study materials for accounting students.
<a href="http://www.investorsgroup.com">http://www.investorsgroup.com</a>	Discussions about financial planning, cash management budgeting: the basic of managing your money.
<a href="http://search.smartpros.com/">http://search.smartpros.com/</a>	Offers a search engine specialized for accounting, finance, HR, insurance and law.
<a href="http://www.womensmedia.com">http://www.womensmedia.com</a>	Offers practical tips on Improving your budgeting skills, sticking to a budget, reducing expenses and curbing impulse spending.
<a href="http://www.toolkit.cch.com/tools/tools.asp">http://www.toolkit.cch.com/tools/tools.asp</a>	Provides a downloadable business forms, checklists and financial worksheets.
<a href="http://www.student-manual.com/study/subjects/accounting/research.htm">http://www.student-manual.com/study/subjects/accounting/research.htm</a>	Web site for students' research for any accounting subject or topic

	online.
<a href="http://www.varsitynotes.com/accounting/managerial_accounting.html">http://www.varsitynotes.com/accounting/managerial_accounting.html</a>	Varsity Notes is the world's largest directory of free lecture notes.

4. Film: **A Tale of Two Restaurants**, Stanford University

## SESSION 1

# ACCOUNTING and THE BUSINESS ENVIRONMENT

### **Assignments to be completed prior to session 1:**

1. Read chapter 1 of the textbook.
2. Read on basic accounting principles (GAAP) and financial statements.
3. Review the structure of the balance sheet, income statement and cash flow statement.
4. Answer exercise 1-2, p. 30-31 and problem 1-7, p. 32 (textbook).

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Understand the course objectives, content and requirements;
2. Understand the nature of accounting, the environment on which it operates and the various users of accounting information;
3. Explain how management accounting information can be used by firms to achieve their strategic goals and objectives;
4. Construct a balance sheet, statements of income and cash flow;
5. Discuss the basic principles underlying the preparation of financial statements; and
6. Understand the importance of ethics, corporate governance, enterprise risk management, and corporate social responsibility in managing firms, particularly in relation to its accounting and finance functions.

### **Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Students and professor make introductions about themselves.	15 mins.
2. The professor discusses the following: <ul style="list-style-type: none"><li>• Module</li><li>• Course objectives</li><li>• Course content</li></ul>	30 mins.

• Course requirements	
3. The class chooses its representative and form groups for class presentations. Reporting assignment for will be given and discussed.	15 mins.
4. Lecture and class discussion on the following: <ul style="list-style-type: none"> <li>• Accounting Function and Managerial Accounting</li> <li>• Business Environment</li> <li>• Financial Statements</li> <li>• Generally accepted accounting principles</li> <li>• Ethics, Corporate Governance, Enterprise Risk Management and Corporate Social Responsibility</li> </ul>	1 hr.
5. Exercises on the preparation of Financial Statements.	45 mins.
6. The professor explains the assignment for Session 2.	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 2

### ANALYZING FINANCIAL STATEMENTS

#### **Assignments to be completed prior to session 2:**

1. Read chapters 13 and 14 of the book Accounting Text and Cases, 13<sup>th</sup> edition, by Anthony, Hawkins and Merchant.
2. Secure a copy of audited financial statements of three organizations within the same industry for 3 consecutive years.
3. Analyze the above financial statements using various tools for analysis, i.e. vertical and horizontal, trend and ratio analysis. You are also required to do intercompany analysis.

#### **Learning Objectives:**

At the end of this session, students are expected to:

1. Understand the various tools employed in the analysis of financial statements, i.e. vertical and horizontal analysis, trend analysis and ratio analysis;
2. Analyze an actual financial statement using these techniques; and
3. Discuss other nonfinancial measures that firms can utilize to assess their performance.

#### **Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Lecture and class discussion on the objectives and tools of financial statement analysis.	1 hr.
2. Film Showing: A Tale of Two Restaurants.	1 hr.
3. Class discussion on the film shown and the other nonfinancial measures to evaluate the performance of firms	45 mins.
4. The professor explains the assignment for Session 3	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 3

# COST CONCEPTS and CLASSIFICATIONS

### **Assignments to be completed prior session 3:**

1. Read chapter 2 of the textbook.
2. Groups will work on the following:
  - Exercise 2-9, p. 73-74
  - Problem 2-14, p. 76
  - Problem 2-18, p. 78-79
3. Each student will identify the quality cost expenditures in his/her company and make a quality cost report (see page 93 of the textbook for the report format).

### **Learning Objectives:**

At the end of this session, students are expected to competently:

1. Understand the concept of cost and how it is used in business;
2. Identify the various cost terms and their classifications;
3. Construct a statement of cost of goods manufactured and sold; and
4. Discuss other forms of costs which are not captured by the traditional accounting system but have societal impact such as environment costs.

### **Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Lecture on cost concepts and classifications.	1 hr.
2. Class discussion and presentation of solutions to assigned problems.	1 hr.
3. Problem-solving exercises on constructing the cost of goods manufactured and sold, and the income statement.	45 mins.
4. The professor will explain the assignment for Session 4	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 4

# COST SYSTEMS: JOB ORDER and PROCESS COSTING

### Assignment to be completed prior session 4:

1. Read chapters 8 and 9 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Elements of product cost
  - Flow of cost in a manufacturing concern
  - Application of overhead costs including the disposition of over- or underapplied overhead
  - Costing systems: Job Order vs. Process Costing (including issues and considerations on the two systems)
  - Job cost sheet
  - Cost of production report including computation of equivalent units
3. Groups will work on the following:
  - Job Order:**
    - Exercise 8-10, p. 379
    - Exercise 8-15, p. 381
    - Problem 8-25, p. 388
  - Process Costing:**
    - Exercise 9-8, p. 428
    - Problem 9-14, p.430
    - Problem 9-16, p. 431-432
4. Each student will submit a write-up on how his/her company cost products and services including the identification of items that constitute cost.

### Learning Objectives:

At the end of session, students are expected to:

1. Understand the importance of proper cost determination;
2. Distinguish between job-order costing and process costing and identify firms that would use each method;

3. Understand the flow of costs in a job-order costing system and in a process costing system; and
4. Compute for total and unit cost of products and services including overapplied or underapplied overhead cost under the two costing systems.

**Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Assigned group will report on cost accumulation systems.	1 hr.
2. Class discussion on the assigned exercises and problems	1 hr. and 45 mins.
3. The professor will explain the assignment for Session 5	15 mins.
Total	3 hrs.

## SESSION 5

# COST BEHAVIOR and COST-VOLUME-PROFIT RELATIONSHIPS

### Assignments to be completed prior session 5:

1. Read chapters 3 and 4 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Cost behavior: Variable, Fixed and Mixed Costs
  - Cost structure:  $Y = a + bX$
  - Tools to segregate the variable and fixed components of a mixed cost.
  - Contribution margin income statement
  - Break-even and profit analysis
  - Margin of safety
  - Operating leverage
  - Sales mix
3. Groups will work on the following:
  - Cost Behavior**
    - Exercise 3-8, p. 135
    - Problem 3-13, p. 137-138
    - Problem 3-17, p. 140-141
  - Cost-Volume-Profit Relationships**
    - Exercise 4-14, p. 189
    - Problem 4-19, p. 191
    - Problem 4-20, p. 191-192
    - Problem 4-27, p. 196
    - Problem 4-29, p. 197-198

### Learning Objectives:

At the end of this session, students are expected to:

1. Explain how variable and fixed costs behave and their use in predicting cost;
2. Apply techniques in determining the variable and fixed components of a mixed cost specifically high-low method, scattergraph and linear regression;
3. Prepare an income statement using the contribution margin format;

4. Determine break-even point, single and multiproduct, and the level of sales needed to achieve a desired target profit;
5. Apply CVP techniques in costing and pricing decisions; and
6. Compute for margin of safety and operating leverage.

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**Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Assigned group will report on cost behavior and cost-volume-profit relationships.	1 hr.
2. Class discussion on assigned exercises and problems.	1 hr. & 45 mins.
3. The professor will explain the assignment for Session 6	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 6

# VARIABLE and ABSORPTION COSTING

### **Assignment to be completed prior session 6:**

1. Read chapter 5 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Income statement prepared using absorption costing and variable costing
  - Reconciliation of absorption costing and variable costing
  - Advantages and disadvantages of both absorption and variable costing
3. Groups will work on the following:
  - Exercise 5-1, p. 219
  - Problem 5-11, p. 223
  - Problem 5-12, p. 224
  - Problem 5-13, p. 224-225

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Compare variable and absorption costing income statements;
2. Prepare income statements using both methods;
3. Reconcile variable costing and absorption costing profit and explain why the two amounts differ; and
4. Discuss the impact of the costing method in the determination of profit and inventory management improvement initiatives of firm.

### **Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Assigned group will report on variable and absorption costing.	1 hr.
2. Class discussion on the assigned exercises and problems.	1 hr.
3. Lecture on the impact of the costing methods in determining profit and in relation to the firm's inventory system.	45 mins.
4. The professor will explain the assignment for Session 7.	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 7

# ACTIVITY-BASED COSTING and MANAGEMENT

### **Assignments to be completed prior session 7:**

1. Read chapter 7 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Overview of activity-based costing (ABC)
  - Difference of activity-based costing with traditional costing systems
  - Cost pools and allocation bases
  - Steps in implementing ABC
  - ABC and customer profitability analysis
  - Activity-based management (ABM) and process improvements
3. Groups will work on the following:
  - Exercise 7-5, p. 318-319
  - Exercise 7-14, p. 322-323
  - Exercise 7-15, p. 323
  - Problem 7-17, p. 324-325
  - Problem 7-19, p. 326-327

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Compare activity-based costing with other traditional costing systems;
2. Compute for activity rates, overhead, product cost, product and customer margins using ABC;
3. Discuss how ABC can be used to eliminate nonvalue-adding costs and improve processes in the value chain (Activity-based Management); and
4. Explain the use of ABC for cost saving measures.

### **Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Assigned group will report on activity-based costing.	1 hr.
2. Class discussion on the assigned exercises and problems.	1 hr.
3. Lecture on Activity-based Management.	45 mins.

4. The professor will discuss the coverage and nature of the midterm examination.	15 mins.
Total	3 hrs.

## **SESSION 8**

### **MID-TERM EXAMINATIONS**

#### **Assignment to be completed prior session 8:**

Review for the mid-term examination.

#### **Learning Objective:**

This session will enable students to assess their learning for the first half of the course by taking a written mid-term examination.

#### **Activity:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. All students take the mid-term examination.	2 hrs. & 30 mins.
2. The professor provides a synthesis of the learning during the mid-term period, highlighting key accounting concepts and tools that are useful to management for decision making.	30 mins.
Total	3 hrs.

## SESSION 9

### BUDGETING and PERFORMANCE ANALYSIS

#### **Assignments to be completed prior session 9:**

1. Read chapters 10 and 11 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Budgeting framework and process
  - Behavioral aspects of budgeting
  - Technical aspects of budgeting: preparing the Master Budget including the supporting budgets
  - Costs and benefits of budgeting
  - Flexible budget and variances
3. Groups will work on the following:

**Profit Planning:**

  - Exercise 10-7, p. 497
  - Exercise 10-8, p. 497
  - Exercise 10-9, p. 497
  - Problem 10-19, p. 501-502
  - Problem 10-22, p. 503-504

**Flexible Budgets and Overhead Analysis**

  - Problem 11-19, p. 540-541
  - Problem 11-20, p. 541
  - Problem 11-24, p. 543-544
4. Each student will discuss and assess the budgeting process of his/her company, and will give recommendations on how to improve the same. The report should also highlight any ethical issues related to the budgeting process.

#### **Learning Objectives:**

At the end of this session, students are expected to:

1. Understand budgeting and its importance to the planning and control functions of management;
2. Describe the processes undertaken by organizations to create budgets;
3. Prepare a master budget including the supporting schedules;

4. Prepare a flexible budget and performance report that combines activity, revenue and spending variances; and
5. Discuss the ethical issues in budgeting.

**Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. Assigned group will report on budgeting and performance analysis.	1 hr.
2. Class discussion on the assigned exercises and problems.	1 hr.
3. Lecture on the business planning process, revenue and expense forecasting of selected companies.	30 mins.
4. Class discussion on the ethical issues related to budgeting.	15 mins.
5. The professor will explain the assignment for Session 10.	15 mins.
<b>Total</b>	<b>3 hrs.</b>

## SESSION 10

# STANDARD COSTING

### **Assignments to be completed prior session 10:**

1. Read chapter 12 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - General model for variance analysis
  - Direct materials variances: price and quantity
  - Direct labor variances: rate and labor efficiency
  - Variable overhead variances: spending and overhead efficiency
  - Fixed overhead variances: budget and volume
  - Variance analysis and management by exception
  - Other operating performance measures: delivery cycle time, throughput time, manufacturing cycle efficiency
3. Groups will work on the following:
  - Problem 12-12, p. 588-589
  - Problem 12-13, p. 589-590
  - Problem 12-14, p. 590-591
  - Problem 12-15, p. 591

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Compute and explain the significance of the following variances:
  - a. Direct materials price and quantity variance
  - b. Direct labor rate and efficiency variance
  - c. Variable manufacturing overhead spending and efficiency variance
2. Discuss how the different variances can be used to plan and control operations;
3. Explain the limitations of standard costing considering current business practices like JIT and Flexible Manufacturing Systems (FMS); and
4. Compute delivery cycle time, throughput time, and manufacturing cycle efficiency (MCE).

**Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Assigned group will report on standard costing.	1 hr.
2. Class discussion on the assigned exercises and problems.	1 hr and 45 mins.
3. The professor will explain the assignment for Session 11.	15 mins.
Total	3 hrs.

## SESSION 11

# **SEGMENT REPORTING, DECENTRALIZATION and the BALANCED SCORECARD**

### **Assignments to be completed prior session 11:**

1. Read chapter 13 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Responsibility centers: cost, profit and investment centers
  - Decentralization and segment reporting
  - Segmented income statement
  - Return on investment and residual income
  - Balanced scorecards and strategy maps
  - Transfer pricing
3. Groups will work on the following:
  - Exercise 13-1, p. 656
  - Exercise 13-4, p. 657
  - Exercise 13-8, p. 658-659
  - Problem 13-19, p. 664
  - Problem 13-24, p. 668
  - Problem 13-26, p. 670
  - Exercise 13A-4, p. 685-686

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Discuss the different responsibility centers, i.e., profit center, cost center, and investment center;
2. Prepare a segmented income statement using the contribution margin format;
3. Differentiate between traceable and common fixed costs;
4. Compute Return on Investment (ROI) and residual income;
5. Construct a balanced scorecard; and
6. Understand the concept of transfer pricing.

**Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Assigned group will report on segment reporting, decentralization and the balanced scorecard.	1 hr.
2. Class discussion on the assigned exercises and problems.	1 hr.
3. Lecture on the balanced scorecard and strategic mapping.	45 mins.
4. The professor will explain the assignment for Session 12	15 mins.
Total	3 hrs.

## SESSION 12

### RELEVANT COSTS FOR DECISION MAKING

#### **Assignments to be completed prior session 12:**

1. Read chapter 14 of the textbook.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Identifying relevant costs and benefits
  - Adding or dropping product lines and other segments
  - Make or buy decisions
  - Special orders
  - Utilization of a constrained resource and managing constraints
  - Joint product costs and the contribution approach
3. Groups will work on the following:
  - Exercise 14-1, p. 720-721
  - Exercise 14-2, p. 721-722
  - Exercise 14-3, p. 722
  - Exercise 14-4, p. 722-723
  - Exercise 14-5, p. 723
  - Exercise 14-6, p. 723-724

#### **Learning Objectives:**

At the end of this session, students are expected to:

1. Identify relevant and irrelevant costs and benefits in a decision situation; and
2. Apply relevant costing to various decisions including retaining or dropping a product line or segment, outsourcing, accepting or rejecting a special order, utilization of a constrained resource, and sale of products at the split-off point or after further processing.

**Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Assigned group will report on relevant costing.	1 hr.
2. Class discussion on the assigned exercises.	1 hr. and 45 mins.
3. The professor will explain the assignment for Session 13	15 mins.
Total	3 hrs.

## SESSION 13

# CAPITAL BUDGETING DECISIONS

### **Assignments to be completed prior session 13:**

1. Read chapter 15 of the textbook:
2. The assigned group will prepare a presentation on Capital Budgeting Decisions. The following concepts should be discussed:
  - Capital expenditure (CAPEX) vs. operating expenditure (OPEX) decisions.
  - Investment decision process
  - Time value of money and discounted cash flows (one time and annuities)
  - Cash inflows and outflows
  - Net present value
  - Profitability index
  - Internal rate of return
  - Payback period
  - Accounting rate of return
3. Groups will work on the following:
  - Problem 15-16, p. 782
  - Problem 15-18, p. 782-783
  - Problem 15-20, p. 783
  - Problem 15-25, p. 786
  - Problem 15-32, p. 790

### **Learning Objectives:**

At the end of this session, students are expected to:

1. Understand the concept of the time value of money;
2. Explain capital expenditures and the objectives of capital investment decisions;
3. Compute net present value, profitability index, internal rate of return, payback period, and average rate of return;
4. Apply the different methods in various management decisions involving capital expenditures; and
5. Identify other non-accounting variables that must be considered in investment decisions.

**Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Assigned group will report on capital budgeting.	1 hr.
2. Class discussion on the assigned problems.	1 hr. and 45 mins.
3. The professor will explain the assignment for Session 14	1 hr.
Total	3 hrs.

## SESSION 14

# INTERNAL CONTROL, COST SAVINGS STRATEGIES and PRICING DECISION

### Assignments to be completed prior session 14:

1. Read on internal control systems and cost saving strategies employed by firms and Appendix A of Chapter 15.
2. The assigned group will prepare a presentation for this session. The following concepts should be discussed:
  - Internal controls and their rationale.
  - Administrative and accounting controls
  - Examples of strategic and operational cost saving techniques employed by actual firms.
3. Each student will submit a write up describing and critiquing his/her company's internal control system especially on important accounts like cash, accounts receivable and inventory, and on cost saving strategies employed by that firm.
4. Groups will work on the following:
  - Problem A-4, p. 821-822
  - Problem A-6, p. 822-823
  - Problem A-8, p. 824-825

### Learning Objectives:

At the end of this session, students are expected to competently:

1. Explain the concepts of controllership and the importance of internal control systems;
2. Identify the objectives of a good internal control system;
3. Critique the internal control system of one's organization;
4. Discuss the various cost-saving strategies that are being used by firms; and
5. Apply various techniques in pricing goods and services.

**Schedule of Activities:**

Activities (Strategies)	Proposed Time Allocation
1. Assigned group will report on internal control and cost saving strategies.	1 hr.
2. Presentation of internal control systems, cost saving techniques of selected companies, and pricing decisions.	1 hr. and 45 mins.
3. The professor will discuss the final exam and the final project.	45 mins.
Total	3 hrs.

## **SESSION 15**

## **FINAL EXAMINATIONS**

### **Assignments to be completed prior session 15:**

1. Prepare the final project for submission.
2. Review for the final examinations.

### **Learning Objective:**

This session will enable students to assess their learning after 14 sessions by taking a written final examination.

### **Schedule of Activities:**

<b>Activities (Strategies)</b>	<b>Proposed Time Allocation</b>
1. All students take the written final examination.	2 hrs. & 30 mins.
2. The professor provides a synthesis of the course, highlighting key accounting concepts and tools that are useful to management for decision making.	30 mins.
Total	3 hrs.