

AC 444
Management Accounting

3 Credits

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Created: 01/06/1990
Revised: 11/05/2021
Approval: 12/05/2021

The Implementation Date for this Outline is 01/09/2021

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AC 444 Version: 27



Management Accounting

Calendar Description

The course looks at accounting data through the eyes of those who must use it in planning, in controlling operations and in making the many decisions involved in the management of an enterprise. Topics include cost, cost behaviours, cost relevance, budgeting, flexible budgeting, and capital budgeting.

Rationale

This is a required course for the Business Administration Accounting Major and the Small Business and Entrepreneurship Major students. The Management Accounting course is important to set the framework for thinking in business decision making. Most business problem-solving requires analysis of information involving numbers. Management Accounting deals with the information relevant for analysis, decision-making, planning and control. Concepts such as contribution, opportunity cost, budgeting, incremental analysis and capital budgeting are fundamental to any serious analysis of business cases in the real world and in a variety of second year courses.

The following explains the distinction between Managerial Accounting (this course) and Cost Accounting (AC 544).

Managerial/Cost Accounting

Satisfying the information needs of internal users is the concern of *managerial accounting*. Internal users include both line and staff personnel at top, middle, and lower levels of management. Because management has the responsibility for preparing financial statements for external reporting, management accounting also includes the preparation of external reports, as illustrated in the following definition of management accounting.

Management accounting is the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources. Management accounting also

comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities.[1]

In business organizations, management is responsible for using available resources as effectively and as efficiently as possible to accomplish organizational objectives. To fulfill these responsibilities, management must make decisions concerning desirable organizational objectives, resource utilization, and personnel effectiveness. The type of information that is useful for making these decisions is entirely different than most information provided to external users. Managerial accounting provides information to managers to assist them in operating the business successfully.

Cost Accounting is the process of accumulating the costs of manufacturing and other functional processes and identifying these costs with units produced or some other object. It is a unique subfield of managerial accounting that interfaces with both managerial and financial accounting. Cost accounting is applied primarily to manufacturing organizations that combine and process raw materials into finished products.

Manufacturing firms encounter cost considerations in production, marketing, and other activities. Service organizations also experience many cost accounting challenges. In financial reporting, a cost per unit for the finished product must be determined for use in valuing ending inventory and in determining the cost of goods sold. An organization's management needs similar cost data to control the manufacturing process. However, it needs these data broken down for each manufacturing operation and for each component that makes up the finished product. Cost data may be broken down by product, by department, and sometimes even by individual worker within the department. For example it is not enough to know that the cost to produce a finished product is too high; management must be able to identify where and why it is costing too much and what can be done to reduce costs.

Prerequisites

AC 230

Co-Requisites

None

[1] Management Accounting Practices Statement Promulgation Subcommittee. *Statements on Management Accounting* (New York: National Association of Accountants, 1981) p.4.

Course Learning Outcomes

Upon successful completion of this course, students will be able to

1. identify the accountant's role in an organization.
2. differentiate between various costs and their purposes.
3. apply their understanding of costs to cost-volume-profit scenarios.
4. employ different methods in ascertaining how costs behave.
5. apply relevant costing techniques to management decisions.
6. prepare components of the operations budget and financial budgets.
7. prepare a flexible budget.
8. calculate and analyze variances for manufacturing costs.
9. account for variances within a standard costing system.
10. determine the feasibility of capital projects using non-discounted and discounted cash flow methods.

Resource Materials

Required Text:

Garrison, R., Webb, R., & Libby, T. (2020). *Managerial Accounting* (12th Canadian ed.).

Toronto, ON: McGraw-Hill Ryerson.

Reference Texts:

Class Notes.

Conduct of Course

The 59 hours of instruction consist of lecture, problem-solving demonstration, and exams.

The course consists of four main sections.

1. Overview and Foundations of Management Accounting
2. Cost Behavior, Analysis, and Function
3. Planning and Control
4. Short-Term and Long-Term Decisions

Students are expected to:

1. Come to class and participate
2. Read the text material
3. Practice homework problems as assigned
4. Complete assignments and exams as scheduled

The focus is on developing the ability of the student to analyze situations, find the problems, and propose solutions. Excel is used extensively in this course to demonstrate related problems.

The course is based on current practice in the real world of business and stresses applications more than theory or procedure.

Evaluation Procedures

The final grade is an aggregate of the following components:

Chapter Exams (3)	80%
Assignments/Quizzes	<u>20%</u>
Total	100%

Grade Equivalents and Course Pass Requirements

A minimum grade of D (50%) (1.00) is required to pass this course.

Letter	F	D	D+	C-	C	C+	B-	B	B+	A-	A	A+
Percent Range	0-49	50-52	53-56	57-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-100
Points	0.00	1.00	1.30	1.70	2.00	2.30	2.70	3.00	3.30	3.70	4.00	4.00

Students must maintain a cumulative grade of C (GPA - Grade Point Average of 2.00) in order to qualify to graduate.

Attendance

Regular attendance is essential for success in any course. Absence for any reason does not relieve a student of the responsibility of completing course work and assignments to the satisfaction of the instructor. Poor attendance may result in the termination of a student from a course(s).

The instructor will recommend that the Registrar withdraw any student who does not meet the established attendance requirements. A failing grade of RW (Required to Withdraw) will appear on the student's transcript.

In cases of repeated absences due to illness, the student may be requested to submit a medical certificate.

Instructors have the authority to require attendance at classes.

Course Units/Topics

Unit	Unit Content	Chapter Reference
1	Managerial Accounting and the Business Environment	1
2	Cost Terms, Concepts, and Classifications	2
3	Cost Behaviour: Analysis and Use	3
4	Cost-Volume-Profit Relationships	4
5	Budgeting	9
6	Standard Costs and Overhead Analysis	10
7	Relevant Costs for Decision Making	12
8	Capital Budgeting Decisions	13



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