

MANAGERIAL ACCOUNTING AND FINANCIAL CONTROL (AC101)

Course duration: 54 hours lecture and class time (Over three weeks)

LSE Teaching Department: Department of Accounting

Lead Faculty: Professor Alnoor Bhimani

Pre-requisites: None

Course Aim:

Management accounting is a key determinant of high corporate performance across many modern organisations. In numerous contexts, financial control information has become a core competitive factor. Managers today recognise that their firms operate within a “new normal” environment characterised by less financial leverage potential, increased regulation concerning transparency and disclosure, an eastward shift in the world’s economic centre of gravity and extensive advances in technology. They must seek success as they confront ever more sophisticated corporate strategies adopted by their competitors. This course provides students with an introduction to management accounting and financial control concepts which managers use as inputs to managerial decision making in modern enterprises. It discusses a variety of issues relating to management accounting and technology, corporate strategy, e-business and marketing.

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The course considers different management accounting and financial control practices using a highly applied learning material. It makes extensive use of cases to understand practical tools deployed by enterprises in strategic and business management. The course covers material on established managerial accounting and financial control strategies as well as more cutting edge operational, marketing and competitive decision making practices.

Some specific topics covered include incremental costing, break-even analysis, activity based management, balanced scorecards, target cost management, quality costing and e-business costing concerns. The course considers international financial management issues and comparative cross-country differences in managerial control systems. It also addresses a variety of other performance-based strategic management and accounting issues.

The course is ideal for those seeking a practical understanding of accounting and financial control fundamentals essential for managers operating in fast changing enterprise environments and for individuals embarking on demanding MSc/MBA programs of study.

Course Objectives:

The course adopts a case-based approach to understanding the application of financial management and accounting solutions to strategic and operational management issues.

The course will cover:

- established managerial accounting and financial control strategies
- operational, marketing and competition policy issues
- modern techniques including activity based management, balanced scorecards, target cost management and quality costing
- comparative international management accounting systems
- e-business costing approaches
- strategic accounting concepts

Learning Outcomes:

This course will provide participants with:

- an understanding of strategic, market and technological changes influencing management accounting and financial control practices
- the ability to apply cutting edge management accounting and financial control techniques within commercial enterprise environments
- a knowledge of behavioural, organizational and cultural issues affecting the functioning of management accounting and financial control systems.

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Course Structure and Assessment:

There will be 36 hours of lectures and 18 hours of classes. The course emphasizes applied rather than theoretical issues. The lectures will delve into the fundamentals of accounting and financial management as they are applied in practice. Case studies will be used extensively. Discussion of course material and class participation are essential to the achievement of the course objectives. A mid-session and final examination will be held. The former will contribute toward 40% of the course mark and the latter 60%.

Formative assessment: Your class teacher will assign you to in-class presentations twice. This will relate to relating to two assignments (see outline below). Formative assessment will provide feedback on your progress with the course and your understanding of the material. This does not form part of your official assessment but is designed to give you feedback to improve your performance in the examination. The class assignments are reflective of the nature of questions you can expect in the final examination for the course.

You will be provided with a grade for your class work by your class teacher with feedback on strengths and areas for improvement. You can discuss your formative assessment with your class teacher hours.

Topics covered

Introduction

- Objectives of management accounting
- The rise of accounting and financial controls
- Accounting information flows and organizational structure
- Accounting controls in the digital economy

Cost Information for Decisions

- Cost terms and issues
- Cost allocation choice and income effects
- Revenues, costs and decisions

Financial Controls and the Value Chain

- Emerging enterprise performance measures
- Quality costing
- Life cycle costing

Cost Management in the Digital Economy

- Internet based business models
- Cost concerns in web-enabled firms
- New accounting controls for the 'new' economy

Accounting and Flexible Production

- Flexible organizational technologies and new forms of work organization
- Just-in-time systems and backflush accounting

Activity-Based Costing

- Job order vs. process costing
- Cost driver analysis
- ABC based decisions

Activity-Based Management

- Cost-based management
- Implementation issues
- Behavioural problems

Budgeting and Control

- Roles of Budgets
- Variance Analysis

Financial Controls and Performance

- Responsibility accounting
- Transfer pricing

Strategic Management Accounting

- Strategic aspects of management accounting
- Strategy and management control systems
- Strategic cost analysis

Issues in International Management Accounting and Control

- Comparative analysis of management accounting
- The role of culture
- Implications for multinational companies

Handouts and Readings

Course power point lecture notes and case problems will be handed out during the first lecture. The required book for this course is: A. Bhimani Strategic Finance: Achieving High Corporate Performance (Strategy Press, 2013). Technical concepts are covered in: A.Bhimani, C. Horngren, S. Datar and M. Rajan Management and Cost Accounting (Pearson, 2015) (Referred to as 'BHDR' below)

Specific readings from the above books are detailed below.

Readings and Cases Outline

Lecture 1: **Introduction**

Bhimani, Chapter 1

BHDR, Chapter 1

Lecture 2: **Costs**

Bhimani, Chapter 2 (p. 20-37)

BHDR, Chapters 2, 3(skim), 8, 9 and 10

Assignment: The Ethical Dilemma at Northlake (BHDR Case 102 – also in course pack)

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Lecture 3: **The Value Chain, Quality and Risk**

Bhimani. Chapter 3 (p.46-68) and Chapter 7 (p. 179-184)

BHDR, Chapter 20

Assignment: La Grande Alliance (In course pack) (Question: How would you set the menu prices?)

Lecture 4: **Financial Controls in the Digital Economy**

Bhimani, Chapter 8

Assignment: Electronic Boards (BHDR Case 103 - also in course pack)

Lecture 5: **Flexible Organizational Technologies**

Bhimani, Chapter 3 (p.68-91)

BHDR, Chapters 21

Assignment: Q and A

Lecture 6: Activity Based Costing

BHDR, Chapters 11

Assignment: Tankmaster (BHDR Case 202)

Lecture 7: Activity Based Management

Bhimani, Chapter 4

Assignment: Siemens EMW (BHDR Case 203)

Lecture 8: Budgets, Performance Evaluation and Income Effects

Bhimani, Chapter 2 (p. 37 - 45)

BHDR, Chapters 7, 14, 15 and 16

Assignment: Empire Glass (BHDR Case 502)

Lecture 9: Financial Control and Performance Evaluation

Bhimani, Chapter 5

BHDR, Chapters 18 and 19

Assignment: Cresta Plating (BHDR Case 402)

Lecture 10: Strategic Management Accounting

Bhimani, Chapter 6

BHDR, Chapters 22

Assignment: Instrumental (BHDR Case 302)

Lecture 11: International Management Accounting

Assignment: Permaclean (BHDR Case 201)

Lecture 12: Review of Management Accounting and Financial Controls

Credit Transfer: If you are hoping to earn credit by taking this course, it is advisable that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three credits within the US system and 7.5ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk