

Managerial Accounting

Introduction

This course offers a comprehensive introduction to designing, interpreting, and using financial and non-financial information to manage organizations and drive value creation. The tools covered in the course are relevant to most areas from marketing to operations, to human resources.

With a series of cases and lectures, we develop critical concepts and frameworks, discuss their usefulness and limitations, and practice the relevant tools and techniques. Consistent with IESE's general management perspective, **we will often take a cross-functional perspective and embed the concepts and tools of the course within the greater context of the firm, its strategy, its structure, and its stakeholder relations.** Most importantly, we identify likely applications to your career as a manager and a leader in your organization and society.

The class balances quantitative and qualitative aspects, reflecting the reality of organizations, where managers have to combine these two perspectives. The quantitative part only requires a good understanding of basic algebra (add, subtract, multiply and divide) as well as common sense. During class, the relevant numbers will be reviewed to insure that everybody's preparation leads to a comparable set of information. **But the core of the class will be devoted to evaluating the management implications of the analysis.** The reason is simple, numbers are just an input to management, and as a leader you need to know how to get the numbers, but more importantly, what do they mean for the management of the organization.

Managing organizations is about people. While having the right information and knowing how to interpret it is important, the course emphasizes the behavioral implications of using this information. So, we will devote significant time to these issues.

Objectives

The objective of the course is to learn how to use and produce accounting information for managerial purposes. Accordingly, the content is structured in two parts, corresponding to the two main roles of accounting information in business management:

- Business Decisions: the choices between several operational and strategic alternatives, respectively, available to a firm.
- Management Control: the systems that serve to evaluate business performance and to promote goal congruence, i.e. to align the decisions of individuals in the firm with the objectives of the firm.

In the first part of the course, we will learn how to use accounting information to quantitatively analyze alternatives and to make decisions that improve business performance. In the second part of the course, we will learn how the accounting system can be used to guide managerial decision making and to promote goal congruence.

Learning Outcomes

RA12. Equip students with learning skills that enable them to continue studying independently and self-directedly.

RA1. Possess and comprehend knowledge that provides a basis or opportunity to generate original ideas in the development and application of concepts, often within a research context.

RA19. Enable students to apply acquired knowledge and solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.

RA11. Enable students to integrate knowledge and address the complexity of making judgments based on incomplete or limited information, including reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.

RA20. Enable students to communicate their conclusions, along with the knowledge and rationale supporting them, to both specialized and non-specialized audiences clearly and unambiguously.

RA21. Listen, understand, and compare differing viewpoints to develop an objective understanding of a business situation. Communicate in a structured and persuasive manner (Interpersonal communication).

RA13. Work effectively in multicultural teams, assuming project leadership when necessary. Integrate the value of diversity into the team's decision-making and work process (Multicultural teamwork skills).

RA14. Critically evaluate information and the context of a business situation to reach prudent decision-making conclusions (Critical thinking).

RA3. Identify relevant data to diagnose a business problem and generate sensible decision alternatives.

RA6. Develop rigorous business plans that achieve viability status under the scrutiny of real investors.

RA26. Identify a company's sources of competitive advantage to assess its sustainability in the future based on the industry's competitive structure, expected competitor responses, and the company's internal resources.

RA16. Assess the quality of financial information based on the accounting policies adopted by company management, to make the necessary adjustments that allow for business diagnostics and decision-making.

Content

This course will discuss the following topics:

- Course Introduction: Behavior of Costs & Profitability Concepts
- Cost Information for Competitive Decisions (I)
- Cost Information for Competitive Decisions (II)
- Decisions on Technological Changes
- Cost Structure & Strategic Cost Analysis
- Long-term Decisions: Production vs. Outsourcing Costs
- Cost Systems: Measuring Product Profitability
- Cost Systems & Competitive Strategy: Measuring Customer Profitability
- Accounting for Decision Making & Cost Systems Review

Instructional Activities

AF1: Training sessions and meetings with the teacher (classes, seminars, lectures, tutorials, company visits, simulations): 20hrs

AF2: Individual student work (personal study, preparation of assignments): 31hrs

AF3: Teamwork (preparation of group assignments and execution of simulations): 5hrs

AF4: Evaluation tests: 4hrs

Evaluation

The course grade will be determined as of IESE policies. It will be calculated as follows:

- Class participation (30%)
- Midterm exam (30%)
- Final exam (40%)

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.

