

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

At the end of the course, you should have a sound basic literacy in managerial accounting. Literacy refers to both “reading” (understanding) and “writing” (doing). Therefore, the course emphasizes and trains you in two aspects: the sound conceptual understanding of the fundamentals of managerial accounting and the clever utilization of the discipline’s essential tool kit.

Learning Outcomes

In particular, you will learn how to read, interpret, and use:

- Cost and profitability concepts like cost behavior (variable and fixed costs), cost specificity (direct and indirect costs), and margin types (contribution margin, gross margin, and profit margin).
- Principles, concepts, and tools for modeling an income statement that depicts a firm’s business economics and strategy.
- Analysis, identification, and decision-use of relevant financial information, including engineered, committed, sunk, and opportunity costs.
- Design and decision consequences of internal accounting systems, such as activity-based costing, that are consistent with a firm’s business economics and its strategy.
- Basic uses of accounting information in managing decentralization through budgeting, monitoring, results evaluation (variance analysis), transfer pricing, and key performance indicators (such as ROI, ROA, ROE, residual income, and economic value added).
- Contribution of accounting to organizational management systems like comprehensive performance measurement, provision of incentives, design of responsibility centers, and risk management.

Competences

This course advances the following general competences:

- Use of Information for Decision Making
- Critical Thinking
- Communication
- Interpretation of Management Information

As well as the following specific competences:

- Understand and use managerial information to evaluate profitability and performance across a variety of organizational aspects such as customers, products and services, employees and managers, and organizational
- Appreciate how managerial information is used to design systems within an organization to allow for delegation through coordination and motivation mechanisms.

Content

The course is structured around the following topics:

- **Business Decisions:** This part of the course provides the concepts to use financial information for evaluating the tactical, operational, and strategic impact of business decisions:
- How can financial information be used to analyze alternatives and improve decision making to improve business performance and create value?
- How should financial information systems be designed to provide relevant information for decision making?

Professor's Biography



Professor Tony Dávila

Professor of Entrepreneurship and Professor of Accounting and Control

Tony Dávila has a dual appointment as professor of Entrepreneurship and professor of Accounting and Control at IESE Business School. He is the SEAT Chair of Innovation Management. He has also been Professor at the Harvard Business School during 2013, 2014, and 2016, teaching in the MBA core curriculum. Before coming to IESE, he was a faculty member at the Graduate School of Business, Stanford University after receiving his doctorate from the Harvard Business School. He teaches courses in innovation management, entrepreneurship, management accounting and control, and sports management at the master, doctoral, and executive education levels.