

Managerial Accounting (4 ECTS)

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. However, 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. While having the right information and knowing how to interpret it is important, the course emphasizes the behavioral implications of using this information.

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.

Content

At the end of the course, you should have a sound understanding of the concepts and tools of managerial accounting. The idea is that you can readily apply the acquired knowledge and skills to solve real-world problems. In particular, you will learn:

- How to analyze business decisions using cost and profitability concepts like cost behavior (variable and fixed costs), cost specificity (direct and indirect costs), or margin types (contribution margin, gross margin, and profit margin).
- How to design internal accounting systems, such as activity-based costing, in consistency with the firm's business economics and strategy.
- How to use accounting information in managing decentralization through budgeting, monitoring, results evaluation (variance analysis), transfer pricing, and key performance indicators (such as ROI, residual income, and economic value added).
- How to integrate managerial accounting tools into organizational management systems such as comprehensive performance measurement, provision of incentives, design of responsibility centers, and risk management.

Evaluation

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

Class Participation 70%

Final Exam 30%

Class Participation: I strongly encourage you to actively participate in class. Doing so has two benefits: more interesting sessions and a greater learning impact. Both quantity and quality of participation count. Nevertheless, it goes without saying that contributions of high quality will carry more weight on the grade than lower quality contributions.

Competences

Basic

CB6. Possess and understand knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.

CB7. The students know how to apply the knowledge acquired and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.

CB8. The students can integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.

General

CG7. Effectively distinguish and categorize relevant information for business decision-making.

CG11. Formulate and evaluate business strategies in decision making, anticipating the economic consequences of action plans.

Specific

CE21. Estimate the operational needs of funds and choose the most appropriate financial products for financing: credit policies, factoring, confirming, terms of collection and payment with customers and suppliers, etc.

CE23. Evaluate asset and business purchase decisions with strategic, economic-financial, and operation execution criteria.

CE25. Analyze operational decisions economically (e.g., accept an order or not, manufacture or subcontract, withdraw a product, close a department, offer a discount, etc.) with cost differential analysis.

CE26. Design cost allocation systems to evaluate the profitability of products, clients, and departments. Understand the incentives and behaviors derived from the system within the organization.

CE28. Learn to manage control tools to help implement the company's strategy.