

## 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.

## Competences

### Basic Competences

- 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.
- CB9. Students know how to communicate their conclusions and the knowledge and ultimate reasons that support them to specialized and non-specialized audiences in a clear and unambiguous way.
- CB10. Students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

### General Competences

- CG1 - Listen, understand and contrast the points of view of others to make an objective composition of a business situation. Communicate in a structured and persuasive way. (Interpersonal communication)
- CG2 - Work effectively in multicultural teams, assuming the leadership of a project when required. Integrate the value of diversity in the decision process and team work. (Ability to work in multicultural teams)
- CG3 - Critically evaluate the information and the context of a business situation to reach its own conclusions for making prudential decisions. (Critical thinking)
- CG6 - Develop a proactive and open mindset to organizational change in order to design and promote process improvement initiatives and facilitate one's ability to adapt to new organizational cultures. (Innovative spirit)

### Specific Competences

- CE01 - Identify the relevant data to diagnose a business problem and generate sensible decision alternatives.
- CE07 - Develop rigorous business plans that achieve viability status as scrutinized by real investors.
- CE09 - Judge the quality of financial information based on the accounting policies adopted by the company's management in order to make the pertinent adjustments that allow the diagnosis of the business for decision-making
- CE12 - Apply financial diagnostic tools with general direction criteria to determine the intrinsic value of a business.

## 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

## 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.

