



Course: FINANCIAL AND MANAGEMENT ACCOUNTING

Lecturers:

Financial Accounting
(full and part time)

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Management Accounting
(full and part time)

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Course objectives:

The course is aiming at facilitating the students to understand the principles, role and usefulness of financial and management accounting. Empowering employees and managers of a modern shipping organization with a comprehensive understanding of how the financial and management accounting information is prepared and can be employed for decision making enhances their professional management skills in the running of the business.

Course structure:

The course is divided into two main parts. The first part comprises four three-hour lectures and focuses on the fundamental theoretical and practical issues of financial accounting. Students are expected to be familiarized with fundamental financial reporting concepts and practices as well as with the basic financial statements which constitute the starting point for one to make rational business decisions. The second part of the course covers the rest four three-hour lectures and discusses the basic principles of cost calculation, decision making and management accounting. Basic principles of cost accounting as well as insights on activity based costing are presented during the lectures. Further, issues concerning the development and follow up of the master budget and the methodology for short-term decision-making based on cost information are analyzed. Finally, an introduction is made to strategic performance measurement through Balanced Scorecards.

Learning outcomes:

On completion of this course, students:

- ✧ will be able to understand the basic concepts of financial and management accounting,
- ✧ will be familiar with current trends applied internationally,
- ✧ will be in position to understand the processes through which financial statements are prepared and by adopting a user perspective to make sense of the financial position and performance of a corporation,
- ✧ will have the skills to use management accounting techniques, tools and methods in practice,
- ✧ will be able to select the most suitable management accounting method, tool or technique to extract and process accounting information for decision making.



Course textbooks and educational material

The basic textbooks for this course are:

- ✧ Horngren’s Financial & Managerial Accounting: Miller-Nobles, T., Mattison, B., Matsumura, E., M., (2018), 6th ed., Pearson Education, Inc.
- ✧ Management accounting: Horngren, C.T., Bhimani, A., Datar, S.M. and Foster, G. (2005). Management and cost accounting. Prentice Hall, 5TH eds. (or newer edition).

Besides the above textbooks, the educational material of the course includes power point presentations, exercises and any other educational material distributed within the class or via e-class.

Marking Scheme

At the end of the semester students will sit an exam (which will consist of two modules: one for financial accounting and the other one for management accounting). They, also, will have to prepare two assignments (one for financial accounting and the other for management accounting).

The deadline of assignment is: *TBC*

The final grade is determined by the following algorithm:

$$70\% \times \text{Exam Grade} + 30\% \times \text{Assignment Grade}$$

Note: a student is required to receive at least 50% (pass) of the correspond mark of both exam modules and assignments.

Course timetable and thematic areas

The course consists of eight –three hours each – lectures in total. Power Point presentations and exercises will be distributed to students either via e-mail or will be uploaded to e-class. You may be sub-divided into smaller groups and required to make a presentation on a case study and lead a discussion thereon. Course timetable and the corresponding thematic areas are presented as follows:

Financial accounting

| <u>Lectures</u> | <u>Topic</u> | <u>Basic reading</u> |
|-----------------|---|----------------------|
| 1 | Introduction to Financial Accounting and Financial Statements: The basic accounting principles and methods are introduced. Financial Statements, including, the Balance Sheet, the Income Statement and the Statement of Equity, are explained placing emphasis on illuminating their interrelationships. | ch. 1 (book 1) |
| 2 | Basic accounting concepts and the Balance Sheet: The accounting equation, which is the basis of the Balance Sheet, is presented. Then, the double entry method, which is used for recording accounting transactions, is analyzed and, finally, the categorization of the Balance Sheet elements is shown. | ch. 2 (book 1) |
| 3 | Operating Cycle and the Income Statement: The extended accounting equation, which constitutes the basis for recording all transactions of a firm’s operating cycle, is presented and the concepts of revenues, expenses, losses and gains are introduced. | ch. 3 (book 1) |
| 4 | Preparation of Financial Statements: The end of period processes are explained. In particular, the adjusting and closing entries are presented which lead to the preparation of the Financial Statements. | ch. 4 (book 1) |



Management accounting

| <u>Lectures</u> | <u>Topic</u> | <u>Basic reading</u> |
|-----------------|---|------------------------------|
| 5 | Introduction to cost management – product costing concepts and systems. This session explains the strategic role of costing and cost management, introduces the basic cost behaviour concepts (variable vs fixed costs), the relation of costs to cost objects (direct vs indirect) and the methods of cost assignment and allocation. Product costing. | ch. 1, 2 and 3 (book 2) |
| 6 | Activity based costing. The development and operation of an activity based system are described. The identification and classification of activities, the calculation of activities' cost, the estimation of cost drivers as well as service cost calculation under ABC. | ch. 11 (book 2) |
| 7 | Budgeting and financial planning. The purpose of the budgeting process, the budgeting methodologies as well as the specific steps followed in master budget development are presented. | ch. 14 (book 2) |
| 8 | Break-Even and short-term decision analysis. This session describes the methodology followed in the Break-Even point analysis for one and multiple products as well as the principles governing decision-making when deciding to add or drop a service. | ch. 8 and ch. 10 (book 2) |

Additional material

Additional recommended material for further reading is:

Journals:

- ✧ Accounting, Organization and Society.
- ✧ Accounting Forum.
- ✧ European Accounting Review.
- ✧ Financial Accountability and Management.
- ✧ Harvard Business Review.
- ✧ International Journal of Accounting.
- ✧ Journal of Accounting Research.
- ✧ Journal of Management Accounting Research.
- ✧ Journal of Accounting and Economics.
- ✧ Management Accounting.
- ✧ Management Accounting Research.
- ✧ Managerial Auditing Journal.
- ✧ The Accounting Review.

Bibliography:

- ✧ Drury, C., "Management and Cost Accounting", Cengage Learning, 10th edition, 2018.
- ✧ Hervé Stolowy, Michel Lebas and Yuan Ding (2010). Financial Accounting and Reporting: A Global Perspective. Third Edition, Cengage Learning (SLD)
- ✧ Horngren, C. T., S. M. Datar, and G. Foster, "Cost Accounting: A Managerial Emphasis", Prentice Hall International Editions, 16th edition, 2018.
- ✧ Wouters, M., Selto, F.H., Hilton, R.W., and Maher, M.W. (2012). Cost management: Strategies for Business Decisions, International Edition, Mc Graw Hill.
- ✧ Zimmerman, J. L., "Accounting for Decision Making and Control", McGraw-Hill, 8th edition, 2014.

Other references - publications in the area which may be used during lectures:



- ✧ Ahmed, A. S., Neel, M., & Wang, D. (2013). Does mandatory adoption of IFRS improve accounting quality? Preliminary evidence. *Contemporary Accounting Research*, 30(4), 1344–1372.
- ✧ Anderson, M. A., Banker, R. D., & Janakiraman, S. (2003). Are selling, general, and administrative costs “sticky”? *Journal of Accounting Research*, 41(1), 47-63.
- ✧ Ball, R., Kothari, S. P., & Robin, A. (2000). The effect of international institutional factors on properties of accounting earnings. *Journal of Accounting and Economics*, 29(1), 1–51.
- ✧ Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, 46(3), 467–498.
- ✧ Bentley, K. A., Omer, T. C., & Sharp, N. Y. (2013). Business strategy, financial reporting irregularities, and audit effort. *Contemporary Accounting Research*, 30(2), 780–817.
- ✧ Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56(2), 147–177.
- ✧ Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. *Journal of Accounting Research*, 46(5), 1085–1142.
- ✧ Daske, H., Hail, L., Leuz, C., & Verdi, R. (2013). Adopting a Label: Heterogeneity in the Economic Consequences Around IAS/IFRS Adoptions. *Journal of Accounting Research*, 51(3), 495–547.
- ✧ De George, E. T., Li, X., & Shivakumar, L. (2016). A review of the IFRS adoption literature. *Review of Accounting Studies* (Vol. 21).
- ✧ Kama, I., & Weiss, D. (2013). Do earnings targets and managerial incentives affect sticky costs? *Journal of Accounting Research* 51(1), 201-224.