

Course Outline

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Department of Accounting and Finance  
School of Business and Economics

ACCT 4250-3  
Advanced Management Accounting (3,0,0)

**Calendar Description**

Building on ACCT 3250: Intermediate Management Accounting, students explore the integrative and interdisciplinary role of management accounting and its contribution to the strategic management process and the provision of quantitative and non-quantitative information for planning, control, and decision making. Topics include management control systems; results controls, action, personnel and cultural controls; control system tightness; control system cost; designing and evaluating management control systems; financial responsibility centers including transfer pricing; planning, and budgeting; incentive systems; financial performance measures; the myopia problem; uncontrollable factors; corporate governance; and ethical issues.

**Educational Objectives/Outcomes**

Upon completing this course, students will be able to:

1. Locate the role of Management Control Systems (MCS) in both strategy and operations.
2. Describe results control and its applications.
3. Distinguish indirect controls from the direct controls based on action and personnel/culture.
4. Determine whether an entity or an area is better suited to tight or loose controls, and the types of action and/or personnel/cultural controls that ensure the desired level of tightness.
5. Design and evaluate management controls in terms of methods applied and tightness, and the indirect costs of a poor MCS design and/or implementation.
6. Select the best type of financial responsibility-center based on desired levels of control, and identify behavioural impacts of different transfer pricing schemes.
7. Prepare and interpret budgets, and identify their limitations.
8. Design and evaluate various types of incentive systems.
9. Evaluate market and accounting measures in terms of determining performance metrics.
10. Analyze and apply financial results control remedies to alleviate myopic behaviour.
11. Assess the ways that performance evaluators can reduce, and perhaps eliminate, the distorting effects of uncontrollable factors on measure performance.
12. Critically analyze corporate governance structures of various companies and common management-control related ethical issues.

**Prerequisites**

ACCT 3250

## Co-requisites

None

## Texts/Materials

Merchant, Kenneth A, Wim A. Van der Stede, Management Control Systems, Third Edition.

## Student Evaluation

Case studies and case discussion	40-60%
Simulation/assignments	20-40%
Final exam	20-40%

Students must pass the final exam to pass the course.

## Course Topics

1. Introduction to Management Control Systems
  - Management and control
  - Causes of management control problems
  - Characteristics of good management control
2. Results Controls
  - Results controls and their problems
  - Conditions determining the effectiveness of results controls
3. Action, Personnel and Cultural Controls
  - Action controls and control problems
  - Prevention versus detection
  - Conditions determining the effectiveness of action controls
  - Personnel controls
  - Cultural controls
4. Control System Tightness
  - Action controls and control problems
  - Prevention versus detection
  - Conditions determining the effectiveness of action controls
  - Personnel controls
  - Cultural controls
5. Control System Costs
  - Direct Costs
  - Indirect Costs

6. Designing and Evaluating Management Control Systems
  - What is desired? What is likely?
  - Choice of controls
  - Choice of control system tightness
  - Adapting to change
7. Financial Responsibility Centers
  - Types of financial responsibility centers
  - Choice in financial responsibility centers
  - Transfer pricing
8. Planning and Budgeting
  - Purpose of planning and budgeting
  - Planning cycles
  - Target setting
  - Practices and criticisms
9. Incentive systems
  - Purpose of incentives
  - Monetary versus nonmonetary incentives
  - Incentive system design
  - Group rewards
10. Financial performance measures
  - Measuring value creation
  - Market measures
  - Accounting measures
  - Investment and operating myopia
11. The Myopia Problem
  - Pressures to act myopically
  - Reduce pressures for short-term profit
  - Extending the measurement horizon
  - Measure changes in value directly
  - Improve accounting measures
  - The balanced scorecard
12. Uncontrollable Factors
  - The controllability principle
  - Types of uncontrollable factors
  - Controlling for the distorting effects of uncontrollable factors
13. Corporate Governance
  - Laws and regulations

- Boards of directors
- Audit committees
- Compensation committees
- Controllers and Auditors

14. Ethical Issues

- The importance of ethical analysis
- Why do people behave unethically?
- Common management control-related ethical issues
- Spreading good ethics within an organization

**Methods for Prior Learning Assessment and Recognition**

As per TRU policy

**Attendance Requirements – Include if different from TRU Policy**

As per TRU policy

**Special Course Activities – Optional**

**Use of Technology – Optional**