

1481 Accounting & Financial Management

Course Outline:

Author: John Parkinson Ph.D., Professor of Accounting

Course Description:

Financial and management accounting knowledge is necessary to enable a Human Resource Manager (HRM) to do her/his job effectively. In some cases, where the HRM is expected to carry out the activity herself, a detailed knowledge is required. This would be the case, for example, in respect of the preparation of operating budgets for her area of responsibility, and the interpretation of control information based on those budgets. In other cases the HRM is expected to have a working understanding of the challenges face by her fellow members of the management team, where a familiarity with the concepts is more important than detailed knowledge. This would be the case, for example, in respect of the preparation of the income statement and balance sheet for external users and the interpretation of management decisions in other specialty areas.

Learning Objectives:

This course will seek to develop the following:

- A general understanding of the nature of financial and managerial accounting, and their relationship to business decisions generally and the work of the HRM in particular;
- An understanding of the conceptual foundations of accounting, and of their relevance to the work of the HRM;
- The nature and meaning of the main accounting reports (the income statement, the balance sheet and the cash flow statement);

The ability to carry out detailed calculations in the following areas, with particular respect to those applications that the HRM is likely to encounter in her work environment:

- Calculation of financial ratios to their use to interpret the main accounting reports;
- The behaviour of costs, including fixed costs, variable costs and activity-based costs;
- The application of cost behaviour in the cost-volume-profit (breakeven) model;
- The tracing of direct costs and the allocation of indirect costs;
- Product costing and transfer pricing;
- The preparation of budgets for the HRM operating area;
- The calculation and interpretation of cost variances and control through the balanced scorecard;
- Using accounting information to support short-term and long-term decisions;
- The assessment of investment opportunities through capital budgeting techniques, including an assessment of risk.

Required Textbook:

Accounting for Non-Financial Managers: The Basics, John Parkinson & Charles Dramin, Captus Press, 5th edition, 2021. (ANFM)

Course Contents:

Section 1 Financial Accounting:

Financial accounting consists of preparing and using general purpose financial statements such as the balance sheet and the income statement. The main target audience for these statements is the external user, such as a shareholder, but they are also used within the organization by managers.

Unit 1:

Overview of financial accounting and the principal financial statements and managerial accounting in the context of managing human resources:

- Describe the purpose and objectives of financial and management accounting;
- Describe the main concepts, techniques and conventions of financial accounting including the accounting equation;
- Describe the principle elements of the four general purpose financial statements;
- Explain the interrelationships between the four general purpose financial statements.

Readings: ANFM: Chs. 1 & 2.

Unit 2:

Unit 2 focusses on the income statement and how transactions are reported using the accrual accounting concept and the accounting equation. Calculation and use of accounting ratios based on the income statement is introduced.

Reading: ANFM Ch. 3.

Unit 3

In unit 3 we will look at the statement of financial position (aka the balance sheet) in detail. It covers the treatment of assets, liabilities and shareholders' equity using the accounting equation. The calculation and interpretation of accounting ratios based on the balance sheet is introduced.

Readings: ANFM: Chs. 4 & 5.

Unit 4:

Unit 4 shows how the cash flow statement is prepared and interpreted.

Reading: ANFM: Ch. 6.

Section 2: Managerial Accounting:

Managerial accounting refers to reports and decision protocols that managers use within the organization to plan and control activities within each manager's area of responsibility.

Unit 5

Unit 5 covers the preparation of budgets for operations and cash flow. One of the tasks that Human Resource Managers are responsible for is the preparation of operating budgets for the areas which they control: as such they need to understand the process of budget preparation in detail. Human Resource managers also need to understand how decisions they make affect the organization's cash flow.

Readings: ANFM 8 & 9.

Unit 6:

Budgetary control is about the comparison of planned and actual results, including the calculation of standard costs and the calculation and interpretation of standard cost variances so as to ensure plans and operations are in line with each other. The preparation and use of the balanced scorecard to ensure alignment with strategic objectives is addressed: this unit includes:

- Simple budgetary control reports
- Calculation of standard costs;
- Cost variances (for materials, labour and overhead);
- Revenue variances;
- The use of variances in decision making;
- The balanced scorecard.

Reading: ANFM: Ch. 10.

Unit 7:

The way costs behave with respect to the activities that drive them is critical to both control activities and to making good management decisions. In this unit we describe the principal elements of cost behavior and how that plays into making economically supported decisions.

We explain the following:

- Cost drivers;
- Variable costs;
- Fixed Costs;
- Cost Estimation;
- The cost-volume-profit model.

Reading: ANFM: Ch 11

Unit 8:

One of the stickiest issues in management accounting is the treatment of overhead costs. In unit 8 we examine how and why overhead is incurred and how and why it is allocated to products and operating units to sure that prices and profitability are accurately measured.

Readings: ANFM: Ch. 12.

Section 3: Financial Decision Making.

While some parts of accounting are intended to summarize and report activities, other parts exist to support short-term and long-term decision making.

Unit 9:

Unit 9 addresses the issue of making short-term decisions, based mainly on the economic effects of marginal costs and marginal revenues.

Reading: ANFM: Ch.13.

Unit 10:

In unit 10 we examine the sources of capital that the organization uses to generate the funds they need to operate. The choice between equity financing and debt financing and their effect on the riskiness of the company is discussed.

Reading: ANFM: Ch. 14.

Unit 11;

Unit 11 covers the planning and control of long-term investments. Long-term investments commit significant elements of organizational resources to particular ways of operating for long periods of time, so it is critically important that these decisions are taken on a rational basis that reflect the organizational strategy. In this unit we look at the main techniques for assessing long-term decisions.

- The payback method;
- Return on investment method;
- The discounted cash flow method;
- Assessment of risk.

Unit 12:

Using management accounting information to support Human Resource decision making:

- Describe the main features of Human Resources accounting;
- Describe how to use cost information to evaluate HR strategies, functions and programs;

- Assess restructuring decisions, the use of contingent works and outsourcing
- Evaluate outsourcing of HR functions;
- Determine the effectiveness of Human Resources Management Systems;
- Evaluate E-Training Initiatives information to determine the cost of collective bargaining proposals, including direct and roll-up costs;
- Describe how capital budgeting can be used to make decisions about investments in Human Resources Infrastructure such as HRM Systems and E-Training;

Readings: To be assigned by the instructor.

Learning Aids:

In addition to the textbook the course is supported by the following aids to learning:

- 12 Units of multimedia online lectures, each consisting of an audio narration of a PowerPoint presentation.
- 12 sets of worked solutions to textbook problems that illustrate the topics covered in the Units:
- 12 self-help quizzes to assess learning of the materials in each Unit;
- A monitored discussion board for students to interact with the instructor and their fellow students.

Participation:

There will be a participation discussion board moderated and graded by the instructor. Students are required to post at least 2 substantial submissions (400 words or more) during the course in response to assigned questions that demonstrate the knowledge and skills congruent with the course Learning Objectives. There will be instructor feedback on all submissions.

Assignments

There will be two assignments as follows:

Assignment 1 (testing the financial accounting syllabus: units 1 through 4);

Assignment 2 (testing part of the management accounting syllabus: units 5 through 8).

Final Examination:

There will be a proctored, open book, online examination consisting multiple choice questions. Any part of the entire course content may be examined. Government issued photo identification will be required to verify the student's identity.

Grade Weightings of Course Components:

Participation in Discussion Board: 10%

Two Assignments: 20% each + 40%

Final Examination: 50%: (It is required to pass the final examination with a grade of at least 65% in order to pass the course, regardless of grades earned in other components.)

Passing Grade for the Course: 65%