

INDIAN INSTITUTE OF TECHNOLOGY KANPUR
Department of Management Sciences
Proposal for New Course

Title: Strategic Cost Management
 Course No: MBA XXXm
 Department: Management Sciences
 Proposer: Suman Saurabh
 Units: 3-0-0-1[5]
 Duration of the course: Modular Course
 Prerequisites: NA
 Other interested faculty: Harshal Rajan Mulay

Course objectives:

Analysing the cost behaviour of the product offerings or services delivered by a company is crucial to many managerial decision-making scenarios such as a) break-even analysis, b) outsourcing decision: decision to make versus buy, c) pricing of a joint-product or a by-product, d) pricing of export or special orders, e) decision to shut down ailing product lines/service verticals, f) optimising the right product-mix, g) profit planning, h) new product development (NPD) etc. This course aims to foster such decision-making and analytical skills by showing students how managers use accounting information to make business decisions in companies. The course first introduces the different costing techniques in a manufacturing/service company, such as job order, process, activity-based, and standard costing. It then dwells extensively on various approaches to analysing cost and volume data for profit planning. Further, the course covers topics such as strategic planning, identifying budget key factors, budget preparation and variance analysis for performance benchmarking. The course concludes with some advanced topics related to financial planning & analysis (FP&A), balanced scorecard (BSC), structure of management information systems (MIS) and decision analytics & reporting tools.

Course contents:

S.No.	Broad Title	Topics	No. of Lectures
1	Introduction to Management Accounting	Foundations of Costing system, role of a management accountant, Introduction to cost management for decision making, Cost concepts: direct costs, indirect costs, prime costs etc.	2
2	Job order costing	Job order costing, Overhead allocation, Application to customer profitability analysis	1
3	Process costing	Cost segregation, Cost object, Process costing, Overhead allocation, Pricing of a product or service, Costing of joint-product or by-product, costing of special or export orders, outsourcing decision: make versus buy, optimizing the right product-mix, Profit planning	2
4	Activity based costing	Activity Based Costing: A tool to aid decision making	2
5	Cost Behaviour	Fixed costs, Variable costs, Mixed-costs, Step-cost etc.	1
6	Cost-Volume-Profit Analysis	Breakeven analysis, Incremental or differential analysis and Short-term management decision making, Variable costing and Segment reporting: Tools for management	2
7	Planning, Budgeting and Control	Budgetary planning, Master Budgeting, Budget Key Factor, Flexible Budgets and Performance Analysis, Standard Costing and Variance Analysis	2
8	Advanced Topics	Financial Planning and Analysis (FP&A), Costing in a new product development (NPD) exercise, Balance Scorecard (BSC), Structure of a Management Information Systems (MIS), Decision analytics & reporting	2

Summary for including in the Courses of Study Booklet:

Analysing the cost behaviour of the product offerings or services delivered by a company is crucial to many managerial decision-making scenarios such as a) break-even analysis, b) outsourcing decision: decision to make versus buy, c) pricing of a joint-product or a by-product, d) pricing of export or special orders, e) decision to shut down ailing product lines/service verticals, f) optimising the right product-mix, g) profit planning, h) new product development (NPD) etc. This course aims to foster such decision-making and analytical skills by showing students how managers use accounting information to make business decisions in companies. The course first introduces the different costing techniques in a manufacturing/service company, such as job order, process, activity-based, and standard costing. It then dwells extensively on various approaches to analysing cost and volume data for profit planning. Further, the course covers topics such as strategic planning, identifying budget key factors, budget preparation and variance analysis for performance benchmarking. The course concludes with some advanced topics related to financial planning & analysis (FP&A), balanced scorecard (BSC), structure of management information systems (MIS) and decision analytics & reporting tools.

Recommended textbooks:

- Managerial Accounting, 16th Edition by *Ray H. Garrison, Eric Noreen and Peter C. Brewer* (McGraw Hill)
- Managerial Accounting, 5th Edition by *Stacey Whitecotton, Robert Libby and Fred Philips* (McGraw Hill)
- Horngren's Cost Accounting: A Managerial Emphasis by *Srikant Datar and Madhav V. Rajan* (Cengage Learning)
- Management Accounting by *M. S. Narasimhan* (Cengage Learning)
- Accounting: Text and Cases by *Robert N. Anthony, David F. Hawkins, Kenneth A. Merchant* (McGraw Hill)

References:

- The Balanced Scorecard: Translating Strategy into Action by *Robert S. Kaplan and David P. Norton* (Harvard Business School Press)
- The Back of the Napkin (Expanded Edition): Solving Problems and Selling Ideas with Pictures by *Dan Roam* (Portfolio)
- Shields, M. D. and S. M. Young. 1991. Managing product life cycle costs An organisational model. *Journal of Cost Management* (Fall): 39-51.
- Shields, M. D. and S. M. Young. 1992. Effective long-term cost reduction: A strategic perspective. *Journal of Cost Management*, 6(1): 16-30.
- Hertenstein, J. H. and M. B. Platt. 1998. Why product development teams need management accountants. *Management Accounting* (April): 50-55.

Any other remarks: This course will mostly be delivered using case studies and shall involve extensive financial modelling using Excel.

Signature of Proposers:



Sd/- Suman Saurabh [Date: 5 October 2024]

This course is Approved/ Not Approved
DPGC Convener, DoMS

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Chairperson SPGC