



APPLIES TO ACADEMIC YEAR 2003/2004

BØK 2214 Cost Management and Modelling

Program

Master of Business and Economics Program

Responsible for the course

Espen Skaldehaug

Department

Accounting - Auditing and Law

Term

According to study plan

ECTS Credits

6

Management accounting comprises the subjects financial accounting, capital investment, financial analysis, tax economics and cost accounting. Thorough knowledge in these areas is a requirement in order to make optimal decisions and report relevant information both internally and externally. Although decisions are taken at various levels in the organisation, a holistic approach must be taken of the company, its strategic parameters and the competitive environment. The overall objective is to equip students with the necessary skills to conduct sound decision making, and in general provide guidance for companies.

Objective

In the first part of the course students are exposed to a simulation game, Briefcase. The students are divided into teams that compete against each other. The aim of the game is to maximise the cumulative profits over several years. The game is predominantly focused on the short term, although some strategic decision making is called for. The objective of this part of the course is to focus on the interrelationship between strategy, financial accounting and analysis. The combination of economic theory and practical decision making under uncertainty is crucial in this part of the course.

The course's second part provides students with in-depth knowledge different cost classifications and cost allocation techniques. Activity Based Costing is a key area. Students will be subjected to a cost analysis methodology, where the starting point is the decision situation. Analysis of the decision context and the estimation of relevant costs is an important part, where topics such as capacity, timeframe and relevant cost object are discussed.

Prerequisites

Financial accounting and decision analysis

Compulsory literature

Horngren, Charles T., George Foster and Srikant M Datar. 2003. *Cost Accounting: A managerial emphasis*. 11th ed. Upper Saddle River, N.J., Prentice Hall
Berthling-Hansen, Pål and Espen Skaldehaug. 2003. *Simuleringsspillet BRIEFCASE A/S*. Sandvika: Handelshøgskolen BI, Institutt for regnskap, revisjon og jus.

Recommended literature

None

Course outline

Marginal cost analysis
Use of regression techniques to estimate cost functions
Short term optimisation
Budget models
Strategic decision making in a simulation context
Financial ratio analysis
Cost classification
Methods for cost allocation

Cost object, variable/fixed cost, direct/indirect cost
Net Realisable Value (NRV)
Activity Based Costing (ABC)
The cost of capacity

Computer-based tools

The student is expected to utilise a spreadsheet in connection with the simulation game

Course structure

36 hours of lectures and exercises

Evaluation

5-hour written exam

Evaluation code(s)

BØK 22141

Aids at the examination

All.

Makeup exam

At the next ordinary scheduled exam.