MANAGEMENT ACCOUNTING IN PUBLIC ENTITIES

Degree in Public Management

Code: 1381013

Main Scientific Area: Accounting and Financial Reporting

Lecturer: Maria de Lurdes de Antas de Barros Caldeira Barroso

Language of Instruction: Portuguese

Regime: S1

Contact Hours: 60h Total Workload: 80h

ECTS: 5,0

Objectives

The main goal of this curricular unit is to provide an in-depth study about Management Accounting and its importance for public organizations. This framework reveals to be crucial, especially after the introduction of the New Public Management model (NPM) and, later, with the natural evolution to the New Public Governance paradigm.

The proposed contents for this curricular unit intend to give a more comprehensive approach of accounting information systems. The main focus of management accounting is to improve the decision-making process and to promote internal and external accountability. The objectives of this course unit are based on these guidelines.

Learning Outcomes

At the end of the course, students are supposed to acquire the following knowledge and skills:

- Understand the role of Management Accounting in the current context of public sector reforms (new public management / new public governance);

- Understand the concepts and fundamentals of Management Accounting as well as its relevance in the development and execution of the organizational strategy, supporting the decision making and internal management processes;

- Understand the importance to measure and manage public performance in a global perspective, complementing financial and non-financial performance;

- Understand the need to interconnect management accounting systems with other management systems;

- Understand the importance of businesslike tools (v.g. Cost Centers Method, ABC and BSC), and simultaneously understand the need to adapt them to the reality of public sector entities;

- Develop a critical spirit in the various subjects analyzed in the curricular unit, leading to a better perception about the best practices to adopt, considering the organizational context and culture.

Course Contents

I - The role of management accounting in public sector: purposes, objectives and limitations

1.1 Introduction to management accounting: concepts and characteristics

1.2 Management accounting systems vs traditional accounting systems

1.3 The management accounting under the New Public Management (NPM) and the New Public Governance (NPG)

1.4 The role of management accounting in public entities

1.5 Limitations/barriers in the implementation of management accounting systems in public entities

II – Methods used for control analysis and indirect costs allocation/assignment

2.1. Cost Centers Method

2.1.1 Responsibility centers and cost centers

2.1.2 Defining the homogeneous sections

2.1.3 Cost of main and auxiliary sections

2.1.4 Auxiliary sections with simple and reciprocal benefits

2.1.5 Assigning cost center overheads to products/services

2.1.6 Costs estimation sheets

2.2 Activity Based Costing (ABC)

2.2.1 Reasons for using the model

2.2.2 Model foundations

2.2.3 Definition and characterization of the activities

2.2.4 Cost Drivers

2.2.5 Utility of ABC system in public organizations

III - Performance measurement systems (PMS)

3.1 Purposes and characteristics of PMS

3.2 The organizational mission and strategic objectives as a starting point

3.3 Performance measures and indicators in a multidimensional perspective

3.4 The usefulness of non-financial measures as a complement of financial measures

3.5 Case studies

IV - The Balanced Scorecard (BSC) in public administration

4.1 Origins and purposes of the BSC

4.2 Adjustment of BSC to public entities

4.3 The usefulness of strategic maps

4.4 Analysis of the BSC of some public entities

4.5 The Quadro de Avaliação e Responsabilidades (QUAR) and the BSC

4.6 Analysis of the QUAR and self-evaluation reports of some public entities

Recommended Bibliography

AECA (2000). Indicadores de Gestión para las Entidades Públicas. Documento nº 16 da Asociación Española de Contabilidad y Administración de Empresas (AECA).

AECA (2002). Un Sistema de Indicadores de Gestión para los Ayuntamientos. Documento nº 26 da Asociación Española de Contabilidad y Administración de Empresas (AECA).

BURNS, John; QUINN, Martin; WARREN, LZ OLIVEIRA, João (2013). Management Accounting. Maidenhead: McGraw-Hill.

GOMES, A. Patrícia; CARVALHO, João B.; RIBEIRO, Nuno, NOGUEIRA, Sónia (2008). O Balanced Scorecard na Administração Pública. Lisboa: Publisher Team.

KAPLAN, Robert, NORTON, David (1996). The Balanced Scorecard. Translating Strategy into Action. Boston: Harvard Business School Press.

MAJOR, Maria J., VIEIRA, Rui (2009). Contabilidade e controlo de gestão: teoria, metodologia e prática. Lisboa: Escolar Editora.

MARTINS, Ana Lucas (2017). Contabilidade de Gestão nas Administrações Públicas Segundo a norma de Contabilidade Pública 27 do SNC-AP. Lisboa: Rei dos Livros.

POISTER, T. (2003). Measuring Performance in Public and non-profit organizations. São Francisco: John Wiley Sons, Inc.

SMITH, J. A. (2007). Handbook of Management Accounting (4th ed.). Oxford: CIMA Publishing.

Learning and Teaching Methods

The programmatic contents have been defined according to the objectives to be attained for this course unit, as well as the skills to be acquired by the students. The consistency of these two parameters will be exemplified as follows.

The first chapter of the program is concerned with the management accounting and its importance to improve the

efficiency and effectiveness of public management; it is supposed that students acquire the following competencies:

a. Understand the role of management accounting in the current context of Portuguese public sector reforms (new public management and new public governance);

b. Understand the concepts and fundamentals of management accounting and its importance in the development and execution of organizational strategy, within the decision-making and internal management processes.

The third chapter discusses the role of performance management systems (PMS) in a multidimensional perspective, claiming that students acquire the following competencies:

a. Understand the importance of measuring and managing the performance of public entities in a global perspective, complementing financial performance with non-financial performance.

b. Understand the need to link management accounting systems with other management systems.

Finally, the second and fourth chapters discuss, respectively, the Cost Centers Method, the Activity Based Costing (ABC) system and the Balanced Scorecard (BSC) model and its articulation with the QUAR, seeking the following competencies:

a. Understand the usefulness of businesslike tools for public management (such as Cost Centers Method, ABC and BSC), and simultaneously understand the necessary adaptations for its implementation in the public sector.

In general, the aim is to develop a critical view in the various topics analyzed along the course. Accordingly, it will be promoted a continuous discussion around case studies on the various subjects addressed in the virtual classroom.

Assessment Methods

The evaluation method will be continuous and includes three main components occurring in different classificatory moments:

E-learning regime:

(a) Comprehensive, written and online, global assessment test, to be held on a date scheduled by the Course Director, with a 50% weight in the final grade and a minimum score of 8 points in a scale ranging from 0 to 20;

(b) Group work, maximum of 6 elements, with a 35% weight in the final grade and compulsory oral presentation.

(c) Individual e-folios on the Method of Homogeneous Sections and other topics of the program, with a weighting of 15% in the final classification.

Regarding the elements of online assessment (a) and (c), the teacher may request the oral validation of the grade. This validation can be random or targeted to specific students and replaces the test/e-folio grade.

The final grade is computed as the weighted average of the three main components of evaluation, and the approval in the continuous evaluation regime demands a minimum rounded grade of 10, in a scale ranging from 0 to 20:

Final grade = Global test * 50% (minimum score of 8) + Group work * 35% + * E-folios * 15%

Classroom teaching regime:

(a) Comprehensive, written and in person, global assessment test, to be held on a date scheduled by the Course Director, with a 55% weight in the final grade and a minimum score of 8 points in a scale ranging from 0 to 20;

(b) Group work, maximum of 4 elements, with a 30% weight in the final grade (5% for oral presentation and 5% for organization of bibliography);

(c) Active participation, with a 15% weight in the final grade. Active participation involves the realization of small exercises / questions that students will be asked to solve, individually or in groups, preferably in the classroom, and without prior notice.

The final grade is computed as the weighted average of the three main components of evaluation, and the approval in the continuous evaluation regime demands a minimum rounded grade of 10, in a scale ranging from 0 to 20:

Final grade = Global test * 55% (minimum score of 8) + Group work * 20% + Oral presentation * 5% + Organization of bibliography * 5%+ Active participation * 15%

According to RIAPA - ESG (Inscription, Evaluation and Year Transition Regulation of the Management School of IPCA), students who fail the continuous assessment must undergo the final exam evaluation, which consists of conducting a comprehensive written and in person assessment examination, with a 100 % weight in the final grade, taking place at the time of the 1st semester exams season or in the special evaluation season.

Final grade = Final exam * 100%

Regardless the type of evaluation (continuous or final exam), the approval in this course unit requires a minimum rounded grade of 10, in a scale ranging from 0 to 20.