



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

**ACC 251
Managerial Accounting and Controls
Winter 2013**

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Office Hours: by appointment – email to schedule

Class Meeting Time

Class: Tuesday	12:10 – 3:00 pm	Room 2310 Gallagher Hall
Discussion Section: Friday	9:00 – 9:50 am	Room 2310 Gallagher Hall

Smartsite: all materials from the coursepack as well as class handouts (posted within 48 hours of class).

Course Introduction

The course builds foundational product costing and cost analysis skills and introduces management controls that are used to monitor and evaluate performance of individuals and business units. The course is taught using the case method of instruction, with a focus on how managerial accounting supports the business strategy.

Cost management systems provide information about costs; including, but not limited to costs of products and services. While financial accounting rules require that product cost information be accumulated in particular ways for external reporting, these approaches often provide inadequate information for managing the firm. In the first part of the course we study the design and use of cost systems to aid management decision-making. We begin the course with traditional product cost systems still in widespread use. Then we examine problems that can arise with these systems in today's business environment. Finally, we consider alternative systems that attempt to address these problems. Product costing is only one use of cost data. We will consider alternative objects of cost analysis for managerial decision-making. Two examples that we consider are costs of customers --- used to evaluate customer profitability, and costs of business processes --- used in business process improvement.

In the second part of the course we study the use of accounting data as a means of monitoring and evaluating performance --- what is known as 'management control.' We will study management control tools such as: budgeting, transfer pricing, variance analysis and performance measure scorecard systems. Our primary focus will be on developing controls that link firm strategy and tactics to profit realizations; however, we will also consider the use of accounting measures in evaluating and rewarding individual performance.

Although the course includes technical material, my objective is to equip you to interpret data from cost accounting systems so that you can make sound business decisions and evaluate business unit and employee performance. If you are interested in obtaining certification in management accounting, consult the Institute of Management Accountants' website at <http://www.imanet.org/certification> or, if you will practice overseas, consult the Chartered Institute of Management Accountants website at <http://www.cimaglobal.com>. This course is a good starting point for these certifications; however, you may wish to consider an exam preparation course to be fully versed in the materials covered by all aspects of the certification process.

Required Materials

Coursepack contains required cases, readings and assignments

Textbook

There are several good textbooks covering the course material; however, most books cover significantly more material than we can cover in one quarter. Consequently, I use a mix of targeted readings and cases that cover the essential elements of the course as well as selected chapters from the textbook:

Lanen, W.N., S.W. Anderson and M.W. Maher. (2011), *Fundamentals of Cost Accounting*, 3e. McGraw-Hill Irwin, ISBN: 978-0-07-352711-6.

Grades: will be determined as follows

Class Participation	10%
Weekly Homework	15%
Quizzes (2)	20%
Final Exam	50%

Class Participation

Class participation grades are based on both the quality of **active participation** in class discussion, and **attendance**. I will pass a class sign-in sheet at the beginning of class. You will earn 1 point for being present for the majority of the class period. On Friday, your TA will pass another sign-in sheet and you will earn 1 point for being present. You will earn up to 3 points for your role in class discussion. So you have the potential to earn 5 class participation points each week. Class discussion includes asking questions, answering questions and volunteering important case information when appropriate. Participation points will be deducted for behaviors that detract from discussion, including but not limited to: using electronic equipment during class without instructor permission and disrupting class with late arrival or early departures. I will drop the two lowest class participation marks. Thus, if you must miss class for any reason, up to two absences will carry no participation penalty. Of course you are still responsible for the material covered in class, so get notes from a classmate and review class handouts posted on Smartsite.

Classroom Etiquette

- **Arrive on time and stay for the duration of class.** Late arrivals and early departures are disruptive and reduce the quality of instruction for all students. If you must miss a lecture, please obtain class handouts from the web site and obtain notes from another class member. If you must arrive late or depart early, time your arrival or departure to coincide with our mid-point break. You are not required to contact the instructor or the TA in the event of an absence.
- **Please turn off audible cell phones, pagers and watch alarms** for the duration of class.
- Unless otherwise stipulated, **computers are to remain closed** for the duration of class. Bring a paper copy of your case analysis notes to support class discussion.

Weekly Homework

There are weekly graded homework assignments for weeks 2-10. The homework assignments have two parts. The first part is questions about the case study that we will discuss in class and is **due at the start of class**. The second part is problems from the textbook and is **due at the start of the discussion session on Friday**. If you must arrive late to either class or discussion session, please send your homework by email to the class TA before the start of class or have another trusted class member turn it in for you. **Late assignments will not be accepted**. I will drop your single lowest homework grade (including both parts), so if you are unable to complete an assignment on time, this will serve as your dropped mark.

Homework questions about the case are designated by an asterisk (*) in the Class Preparation Questions (see Smartsite and coursepack). **Homework assignments from the textbook** are also indicated in **Class Preparation Questions**. Each student must submit typed answers to the questions, using standard formatting of 11 or 12 point font and 1 inch margins. If you insert an excel spreadsheet as part of your assignment it should be in a readable font size.

Homework (both parts) is graded on a 100 point scale. Because the case questions are designed to prepare you to participate in class rather than to test your knowledge of material, they will be graded based on completeness and evidence of careful consideration of the issues and the case data. Students may work together on case preparation; however, **each student is to compose their own answer to case questions** in the homework. **Students are to complete the textbook problems independently** without assistance from other students. Any actions to the contrary constitutes a violation of the honor code and will be referred to the appropriate University authorities for investigation.

Discussion Session

In Friday discussion sessions we will review the learning objectives of the previous class, work a selection of the homework problems from the current week, hand back previously graded quizzes and homeworks, and address questions from the current or any prior week. We will not 'work ahead' or accept questions about upcoming classes and related homework. Questions that cannot be fully addressed in discussion session or that pertain to an individual student's marks will be handled in open office hours with the course TA or in a scheduled appointment with the instructor.

Final Examination

Exam Review:

The last scheduled class meeting will include a lecture that integrates the materials of the course. It will serve as an excellent start to your exam preparation.

The Exam:

An in-class final exam will be given on a date set by the registrar. The final exam is a written, closed note, closed book exam. It will include short-answer questions, one or two very short cases with related questions, and problems similar to those that you have seen. Laptop computers will not be permitted in the exam. Bring a bluebook, writing utensils and a calculator to the exam.

Makeup Exams:

In the event that substantiated personal emergencies require it, a makeup exam will be given at a single later date **after** the conclusion of the quarter and at the convenience of the instructor. **Makeup exams will not be offered before the date of the scheduled in-class exam.**

Class Preparation Suggestions

I use the case method of instruction; however, I often include vignettes or “side bar” discussions that are more typical of a lecture class so that we can focus on a simple example before tackling the more complex issues in the case.

Each case is accompanied by a set of questions. These questions do not represent fully the material that we will cover in class. They are intended to guide you in your preparation. I recommend that you read the case first and then work with classmates to develop answers to the questions. If you prepare structured answers to these questions, you will be prepared to participate in class discussion. However, answers to these questions rarely constitute more than 50 percent of any class. Some students become concerned when they do not fully anticipate the class discussion. We will often consider questions that you will not prepare in advance and we will develop analytic frameworks from disparate case facts or from answers to the questions that you prepare. This is a key distinction between using the case method of instruction as the primary vehicle for teaching material --- what has been called the “Socratic Method” of teaching --- and using cases as “messy problem sets”. The implication for you is that missing class, even after preparing the case questions, means that you miss content and process --- essential elements to learning this material.

The preparation questions are of a mixed nature. Some questions require numerical calculations; however, an equally important aspect of the question is your qualitative analysis of the problem. Most students realize that they should complete numerical calculations and bring them to class. Many students are much more casual in answering qualitative questions. I urge you to take the time to write a brief response to these questions. Collecting your thoughts beforehand greatly improves the quality of class participation and provides good practice in exam taking skills.

COURSE SCHEDULE

Class	Date	Topics	Required Reading from Textbook and Coursepack	Case
1	Jan 12	<ul style="list-style-type: none"> • Course Introduction • Team Assignments 	<ul style="list-style-type: none"> • Review the course syllabus before class • Chapter 1 • <i>Bloomberg Businessweek</i> “Despite the Turmoil, Pakistan Wants Soap.” Oct 17-23, 2011 • <i>WSJ</i> “By foot, by bike, by taxi, Nestle expands in Africa. Dec 1, 2011 	P&G Polska (self-authored)
2	Jan 19	<ul style="list-style-type: none"> • Traditional Product Costing Systems • Cost Structure • Relevant Costs 	<ul style="list-style-type: none"> • Chapter 2 – learning objectives 1-6 • Chapter 4 – learning objectives 1-4 • Comments on Standard Times and the Division of Labor (9-600-013) • <i>WSJ</i> “Fixed Costs Chafe at Steel Mills” June 10, 2009 • <i>WSJ</i> “Steelmakers Struggle” Oct 19, 2011 • <i>WSJ</i> “High fixed costs are makings of Steel Trap.” Oct 25, 2011 • <i>WSJ</i> “Steelmakers confront oversupply worries” May 1, 2012 • <i>WSJ</i> “As Economy Zooms, India’s Postmen Struggle to Adapt” Oct 3, 2006 • <i>WSJ</i> “Mail Carriers Try Own Rescue” Apr 17, 2012 • <i>BBusinessweek</i> “The End of Mail” May 30-Jun 5, 2011, p 60-65. • <i>WSJ</i> “The Post Office wants more than mail” Oct 19, 2011 • <i>Washington Post</i> “US airlines make money again by flying less” Jan 25, 2011. • <i>WSJ</i> “Auto Makers’ New Math Drives Net” Jan 27, 2012 	Bridgeton Industries (9-190-085)
3	Jan 26	<ul style="list-style-type: none"> • Two Stage Cost Systems • Cost system analysis and design • Marginal costing 	<ul style="list-style-type: none"> • Chapter 6 • Cost System Analysis (9-195-181) • <i>WSJ</i> “Factories grapple with how fast to ramp up” June 20, 2010. • <i>WSJ</i> “Putting a Price on Professors” Oct 23-4, 2010. C1-2. • <i>The Chronicle of Higher Education</i> “College for \$99 a Month?” September 2, 2009. • <i>Bloomberg Businessweek</i> “White-shoe blues” Apr 23-29, 2012. • <i>WSJ</i> “Man vs. Machine, a jobless recovery” Jan 17, 2012. 	Seligram (9-189-084)

4	Feb 2	<p>Activity Based Costing:</p> <ul style="list-style-type: none"> mechanics and implementation for manufacturing and service firms costing capacity 	<ul style="list-style-type: none"> Chapter 9 –learning objectives 1-5 Chapter 10 – learning objectives 5, 6 <i>WSJ</i> “For US Airlines, a Shakeout runs into heavy turbulence” Sept 19, 2005 A1 <i>WSJ</i> “Nuts-and-bolts savings” May 3, 2005 B1 & B2 <i>WSJ</i> “An Airline that makes money. Really.” Feb 4-5, 2012 <i>NYT</i> “To save fuel, airlines find no speck too small” June 11, 2008 <i>WSJ</i> “Airlines lose the winter blahs” Feb 29, 2012 <i>WSJ</i> “Delta to buy refinery in effort to lower jet-fuel costs” Apr 30, 2012 <i>Washington Post</i> “US airlines make money again by flying less” Jan 25, 2011 (from class 2) 	<p>Wilkerson Co. (9-101-092)</p> <p>Co-operative Bank (9-195-196)</p>
5	Feb 9	<ul style="list-style-type: none"> Costing at the Boundaries of the Firm – service costs of customers <p>QUIZ # 1</p>	<ul style="list-style-type: none"> Chapter 9 – learning objective 8 Chapter 10 – learning objectives 3-4 Using ABC to Manage Customer Mix and Relationships (9-197-094) <i>WSJ</i> “Analyzing Customers, Best Buy decides not all are welcome” <i>WSJ</i> “Trucker Rewards Customers for Good Behavior” Sept 9, 2003 <i>WSJ</i> “Public Schools Charge Kids for Basics, Frills” May 25, 2011. <i>WSJ</i> “TXU Energy uses credit information to assess its rates” Sept 9, 2004 <i>Bloomberg Businessweek</i>. “Every Passenger an Arbitrageur” Oct 8-14, 2012. Pp 24-25. <i>MIT Sloan Mgmt Review</i> “When should you nickel-and-dime your customers?” Fall 2010 59-67. 	<p>Kanthal (A) (9-190-002)</p> <p>Co-operative Bank (continued)</p>
6	Feb 16	<ul style="list-style-type: none"> Strategic and Operational ABM – Analysis of business process costs Cost analysis, cost cutting and organizational change Costing (excess) capacity Productivity measurement and management 	<ul style="list-style-type: none"> Chapter 10- learning objectives 1, 2 Profit Priorities from Activity-based costing (HBR OnPoint product #3588) No-nonsense Guide to Measuring Productivity HBR OnPoint product #3596) <i>Bloomberg Businessweek</i> “Governing by the numbers, and the numbers are good” Jun 21-27, 2010 <i>WSJ</i> “Government by Contractor is a Disgrace” Nov. 26, 2008 <i>WSJ</i> “When civic mergers don’t save money” Aug 29, 2011 <i>WSJ</i> “Chicago mayor trashes politics of waste removal” Oct. 24, 2011 <i>Time</i> “Can Education be Moneyball-ed?” Oct 14 2011 http://ideas.time.com/2011/10/14/can-education-be-moneyballed/ <i>WSJ</i> “Here come the technocrats” Sept 16-17, 2006 <i>WSJ</i> “Baseball after Moneyball” Sept 23, 2011 <i>BBusinessweek</i> “The Moneyball Myth” Oct 24-30, 2011 109-11. 	<p>Indianapolis City Services (9-196-115)</p> <p>Billy Beane: Changing the Game (9-305-120)</p>

7	Feb 23	<ul style="list-style-type: none"> • Performance to budget - basic cost variances • Predictive models of cost behavior 	<ul style="list-style-type: none"> • Chapter 16 – learning objectives 1-6 • <i>NYT</i> “A Big Star May not a Profitable Movie Make” Aug 28, 2006 C1. • <i>WSJ</i> “Factory Efficiency Comes to the Hospital” July 10, 2010 • <i>WSJ</i> “New Recipe for Cost Savings: Replace Expensive Workers” June 11, 2003. • <i>WSJ</i> “Best Buy gets squeezed” Sept 14, 2011 • <i>WSJ</i> “Costco’s dilemma: Be kind to its workers, or Wall Street?” Mar 26, 2004. • <i>WSJ</i> “Retailers Reprogram workers in efficiency push” Sept 10, 2008 • <i>WSJ</i> “Meet the New Boss: Big Data. Sept 20, 2012. 	Mile High Cycles (9-191-056)
8	Mar 1	<ul style="list-style-type: none"> • Economics of transfer pricing • Service Dept. cost allocations and transfer pricing 	<ul style="list-style-type: none"> • Chapter 12 – learning objectives 1-6 • Chapter 15 – learning objectives 1-3 • Control with fairness in transfer pricing (HBR reprint #83606) • <i>Bloomberg Businessweek</i> “Heads or Tails, Some CEOs win the pay game” Oct 8-14, 2012. pp 23-4. • <i>WSJ</i> “White House rethinks how best to pay the pros” July 9, 2009 	Chemical Bank (9-184-047)
9	Mar 8	<ul style="list-style-type: none"> • Budgeting as a part of strategic planning • Using budgeting for tactical response <p>QUIZ # 2</p>	<ul style="list-style-type: none"> • Chapter 13 • Corporate budgeting is broken – Let’s fix it (HBR reprint R0110F) • The real budget crisis: Stop rewarding forecasting and negotiating instead of real performance (HBR reprint 2553BC from ISBN-13:978-1-4221-2553-3) • <i>WSJ</i> “Thinking about Tomorrow” Jul 7, 2008 • <i>The Economist</i> “Managing in the Fog” Feb 28, 2009 pp67-8 • <i>The Economist</i> “Prediction Markets: An uncertain Future” Feb 28, 2009 p. 68 	Codman and Shurtleff (9-187-081) + partial process flow map + revisit Billy Beane case of class 6
10	Mar 15	<ul style="list-style-type: none"> • Performance measurement scorecards • Putting it all together: Course review lecture 	<ul style="list-style-type: none"> • Chapter 18 • <i>HBR</i> “The balanced scorecard: Measures that drive performance. • <i>Cal Mgmt Review</i> “Linking the BSC to Strategy” Fall 1996. • <i>HBR</i> “The employee-customer-profit chain at Sears” Jan-Feb 1998. • <i>WSJ</i> “An airline that makes money. Really.” Feb 4-5, 2012 (from class 4) 	Mobil USM&R (A1) (9-197-120) Mobil USM&R (A2) (9-197-121) <i>(to be handed out in class)</i>