



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

**ACC 251**  
**Managerial Accounting and Controls**  
**Winter 2015**

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**Instructor Office Hours:** by appointment – email to schedule

**Class Meeting Time**

Day/Time: Monday 12:10 – 4:00 pm      Room: GH-1213 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 measurement 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 in countries with a history of using U.K. accounting practices, 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. (2014), *Fundamentals of Cost Accounting*, 4e. McGraw-Hill Irwin, ISBN: 978-0-07-802552-5.

For those who purchase a used book, the third edition will serve you well for chapter readings; however, **please note that the suggested text problems are from the 4th edition and will not align with those of earlier editions.**

**Grades:** will be determined as follows

Class Participation	10%
Case Writeups	10%
Quizzes (2)	30%
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 2 points if you are present for the full class period. Significantly late arrival or early departure will reduce this to 1 point. You will earn up to 3 points for your role in class discussion. Thus, 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. I will drop the two lowest daily 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. 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. **Please bring a paper copy of your case analysis notes to support your class discussion.**

## Case Writeups

Your class preparation has two parts, only one of which is graded. The first, graded part of your class preparation entails answering questions about the case study that we will discuss in class. There are graded case writeups for weeks 2 - 9. The second, ungraded part of your class preparation is a set of problems from the textbook. These problems are intended to isolate key technical features of the material in a simpler setting than the case study and give you practice in these skills.

**Questions about the case that are to be answered in your case writeup are designated by an asterisk (\*) in the Class Preparation Questions** (see Smartsite and coursepack). Assigned problems from the textbook are also indicated in Class Preparation Questions; however, again, **these are not to be submitted for a grade.**

The case writeup will be graded on a 50 point scale and is **due at the start of class**. If you will miss class or must arrive late to class, please send your writeup 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 case writeup grade, so if you are unable to complete an assignment on time, this will serve as your dropped mark. Please format the case writeup using standard 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.

The case questions are designed to prepare you to participate in class. If you do not give sufficient attention to them before class, it is unlikely that you will earn strong marks in class participation and you may find the pace of class challenging. I encourage students to work together on case preparation; however, **each student is to compose their own answers to case questions for the writeup. The case writeup is not a team assignment.** Submitting the work of another student is a violation of the honor code and will be referred to Student Judicial Affairs for investigation.

## TA Support

The course TA is available in regular weekly office hours. The TA has been instructed not to work ahead or accept substantive questions about upcoming classes and the related case writeup. However, the TA is very willing to review class material and to assist you with the assigned textbook problems.

## 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. Time permitting, the TA will also run a Q&A session before the quizzes and the exam to address any outstanding questions.

### The Exam:

An in-class final exam will be given on a date set by the registrar. The final exam is a comprehensive (i.e., covering the entire course) 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 been assigned from the textbook and that you have seen on quizzes. Laptop computers will not be permitted in the exam. Bring writing utensils and a calculator (not a smartphone) 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” to be solved after a lecture is delivered. 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 5	<ul style="list-style-type: none"> <li>Course Introduction</li> <li>Team Assignments</li> </ul>	<ul style="list-style-type: none"> <li>Review the course syllabus before class</li> <li>Chapter 1</li> <li><i>Bloomberg Businessweek</i> “Despite the Turmoil, Pakistan Wants Soap.” Oct 17-23, 2011</li> <li><i>WSJ</i> “By foot, by bike, by taxi, Nestle expands in Africa. Dec 1, 2011</li> <li><i>WSJ</i> “Soap Opera: Amazon moves in with P&amp;G” Oct 14, 2013.</li> </ul>	<b>P&amp;G Polska</b> (self-authored)
2	Jan 12	<ul style="list-style-type: none"> <li>Traditional Product Costing Systems</li> <li>Cost Structure</li> <li>Relevant Costs</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 2 – learning objectives 1-6</li> <li>Chapter 4 – learning objectives 1-4</li> <li>Comments on Standard Times and the Division of Labor (9-600-013)</li> <li><i>The Economist</i> “Free exchange: Land of the corporate giants” Nov 3, 2012. p.76</li> </ul> <p><b>Following readings will be used for an in-class exercise:</b></p> <ul style="list-style-type: none"> <li><i>WSJ</i> “Fixed Costs Chafe at Steel Mills” June 10, 2009</li> <li><i>WSJ</i> “Steelmakers Struggle” Oct 19, 2011</li> <li><i>WSJ</i> “High fixed costs are makings of Steel Trap.” Oct 25, 2011</li> <li><i>BBusinessweek</i> “The End of Mail” May 30-Jun 5, 2011, p 60-65.</li> <li><i>WSJ</i> “As Economy Zooms, India’s Postmen Struggle to Adapt” Oct 3, 2006</li> <li><i>WSJ</i> “The Post Office wants more than mail” Oct 19, 2011</li> <li><i>WSJ</i> “Amid red ink, the post office chief explains his optimism” Dec 11, 2013</li> <li><i>WSJ</i> “For US Airlines, a Shakeout runs into heavy turbulence” Sept 19, 2005 A1</li> <li><i>NYT</i> “To save fuel, airlines find no speck too small” June 11, 2008</li> <li><i>WSJ</i> “Airlines lose the winter blahs” Feb 29, 2012</li> <li><i>WSJ</i> “Delta to buy refinery in effort to lower jet-fuel costs” Apr 30, 2012</li> <li><i>BBusinessweek</i> “Why the US Power grid’s days are numbered. Aug 22, 2013</li> <li><i>WSJ</i> “Companies unplug from the Electric Grid, delivering jolt to utilities” Sept 17, 2013</li> <li><i>WSJ</i> “U.S. Utilities push the electric car. Aug 29, 2014</li> <li><i>WSJ</i> “Open all night: America’s car factories. Aug 17, 2013.</li> <li><i>WSJ</i> “Auto Makers’ new math drives Net” Jan 27, 2012.</li> </ul>	<b>Bridgeton Industries</b> (9-190-085)

3	Jan 26	<ul style="list-style-type: none"> <li>Two Stage Cost Systems</li> <li>Cost system analysis and design</li> <li>Marginal costing</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 6</li> <li>Cost System Analysis (9-195-181)</li> <li><i>Airline Business</i> “Changing life-spans hit depreciation” Mar 2013 p. 48.</li> <li><i>Bloomberg Businessweek</i> “White-shoe blues” Apr 23-29, 2012.</li> <li><i>WSJ</i> “Factories grapple with how fast to ramp up” June 20, 2010.</li> <li><i>WSJ</i> “Man vs. Machine, a jobless recovery” Jan 17, 2012.</li> </ul> <p><b>Following readings will be used for an in-class exercise:</b></p> <ul style="list-style-type: none"> <li><i>WSJ</i> “Putting a Price on Professors” Oct 23-4, 2010. C1-2.</li> <li><i>The Chronicle of Higher Education</i> “College for \$99 a Month?” September 2, 2009.</li> <li><i>WSJ</i> “Job market embraces massive online courses” Sept 26, 2013</li> <li><i>WSJ</i> “Community Colleges try to revamp image to keep students” Setp 19, 2013.</li> <li><i>The Chronicle of Higher Education</i> “Report by faculty group questions savings from MOOCs” Oct 16, 2013.</li> </ul>	<b>Seligram</b> (9-189-084)
4	Feb 2	Activity Based Costing: <ul style="list-style-type: none"> <li>mechanics and implementation</li> <li>for manufacturing and service firms</li> <li>costing capacity</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 9 –learning objectives 1-5</li> <li>Chapter 10 – learning objectives 5, 6</li> <li><i>Chronical of Higher Education</i>, “Accounting for Success” Feb 3, 2014</li> </ul>	<b>Wilkerson Co.</b> (9-101-092)  <b>Co-operative Bank</b> (9-195-196)
5	Feb 9	<ul style="list-style-type: none"> <li>Costing at the Boundaries of the Firm – service costs of customers</li> </ul> <p><b>QUIZ # 1</b></p>	<ul style="list-style-type: none"> <li>Chapter 9 – learning objective 8</li> <li>Chapter 10 – learning objectives 3-4</li> <li>Using ABC to Manage Customer Mix and Relationships (9-197-094)</li> <li><i>WSJ</i> “Trucker Rewards Customers for Good Behavior” Sept 9, 2003</li> <li><i>WSJ</i> “Public Schools Charge Kids for Basics, Frills” May 25, 2011.</li> <li><i>WSJ</i> “TXU Energy uses credit information to assess its rates” Sept 9, 2004</li> <li><i>Bloomberg Businessweek.</i> “Every Passenger an Arbitrageur” Oct 8-14, 2012. Pp 24-25.</li> </ul>	<b>Kanthal (A)</b> (9-190-002)  <b>Co-operative Bank</b> (continued)

6	Feb 23	<ul style="list-style-type: none"> <li>• Strategic and Operational ABM – Analysis of business process costs</li> <li>• Cost analysis, cost cutting and organizational change</li> <li>• Costing (excess) capacity</li> <li>• Productivity measurement and management</li> </ul>	<ul style="list-style-type: none"> <li>• Chapter 10- learning objectives 1, 2</li> <li>• Profit Priorities from Activity-based costing (HBR OnPoint product #3588)</li> <li>• No-nonsense Guide to Measuring Productivity HBR OnPoint product #3596)</li> <li>• <i>Bloomberg Businessweek</i> “Governing by the numbers, and the numbers are good” Jun 21-27, 2010</li> <li>• <i>WSJ</i> “Government by Contractor is a Disgrace” Nov. 26, 2008</li> <li>• <i>WSJ</i> “Chicago mayor trashes politics of waste removal” Oct. 24, 2011</li> </ul> <p><b>Following readings will be used for an in-class exercise:</b></p> <ul style="list-style-type: none"> <li>• <i>WSJ</i> “New Recipe for Cost Savings: Replace Expensive Workers” June 11, 2003.</li> <li>• <i>WSJ</i> “Best Buy gets squeezed” Sept 14, 2011</li> <li>• <i>WSJ</i> “Here come the technocrats” Sept 16-17, 2006</li> <li>• <i>BBusinessweek</i> “The Moneyball Myth” Oct 24-30, 2011 109-11.</li> <li>• <i>WSJ</i> “Factory Efficiency Comes to the Hospital” July 10, 2010</li> <li>• <i>WSJ</i> “An Airline that makes money. Really.” Feb 4-5, 2012</li> <li>• <i>Airline Business</i> “Spirit in the Sky” May 2012 28 (5): 24-9)</li> <li>• <i>WSJ</i> “Costco’s dilemma: Be kind to its workers, or Wall Street?” Mar 26, 2004.</li> <li>• <i>National Journal</i> “Why Trader Joe’s model benefits workers – and the bottom line”. Mar 21, 2013</li> <li>• <i>NYT</i> “A Big Star May not a Profitable Movie Make” Aug 28, 2006 C1.</li> <li>• <i>WSJ</i> “The Doctor will see you eventually” Oct 19, 2010.</li> <li>• <i>WSJ</i> “Retailers Reprogram workers in efficiency push” Sept 10, 2008</li> </ul>	<b>Indianapolis City Services</b> (9-196-115)
7	Mar 2	<ul style="list-style-type: none"> <li>• Budgeting as a part of strategic planning</li> <li>• Using budgeting for tactical response</li> <li>• Performance to budget - basic cost variances</li> <li>• Predictive models of cost behavior</li> </ul>	<ul style="list-style-type: none"> <li>• Chapter 13</li> <li>• Chapter 16 – learning objectives 1-6</li> <li>• Corporate budgeting is broken – Let’s fix it (HBR reprint R0110F)</li> <li>• The real budget crisis: Stop rewarding forecasting and negotiating instead of real performance (HBR reprint 2553BC from ISBN-13:978-1-4221-2553-3)</li> <li>• <i>WSJ</i> “Thinking about Tomorrow” Jul 7, 2008</li> <li>• <i>The Economist</i> “Managing in the Fog” Feb 28, 2009 pp67-8</li> <li>• <i>The Economist</i> “Prediction Markets: An uncertain Future” Feb 28, 2009 p. 68.</li> <li>• <i>WSJ CFO Journal</i>. “Balancing the Risk-return equation” July 31, 2013</li> <li>• <i>WSJ</i> “MTA Budget Hammered by Overtime” Sept 16, 2013</li> </ul>	<b>Mile High Cycles</b> (9-191-056)

8	Mar 9	<ul style="list-style-type: none"> <li>Decentralization and the Principal- Agent problem</li> <li>Economics and incentive effects of transfer pricing</li> </ul> <b>QUIZ # 2</b>	<ul style="list-style-type: none"> <li>Chapter 12 – learning objectives 1-5</li> <li>Chapter 15 – learning objectives 1-3</li> <li>Control with fairness in transfer pricing (HBR reprint #83606)</li> <li><i>Bloomberg Businessweek</i> “Heads or Tails, Some CEOs win the pay game” Oct 8-14, 2012. pp 23-4.</li> <li><i>WSJ</i> “White House rethinks how best to pay the pros” July 9, 2009</li> <li><i>The Economist</i>. “In a league of its own” April 29, 2006 pp. 63-4.</li> <li><i>HBR</i> “Bringing the Market Inside” April 2004 107-114.</li> </ul>	<b>Chemical Bank</b> (9-184-047)
9	Mar 16	<ul style="list-style-type: none"> <li>Performance measurement scorecards</li> <li>REVIEW: Putting it all together, course review lecture</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 18</li> <li><i>HBR</i> “The balanced scorecard: Measures that drive performance.</li> <li><i>Cal Mgmt Review</i> “Linking the BSC to Strategy” Fall 1996.</li> <li><i>HBR</i> “The employee-customer-profit chain at Sears” Jan-Feb 1998</li> <li><i>WSJ</i> “My Plan to Fix the World’s biggest Problems: Measure them!” Jan 26-7, 2013. P C1.</li> <li><i>WSJ</i> “New benchmarks crop up in companies’ financial reports. Nov 13, 2012</li> </ul>	<b>Mobil USM&amp;R (A1)</b> (9-197-120)  <b>Mobil USM&amp;R (A2)</b> (9-197-121) <i>(to be handed out in class)</i>
<b>FINAL EXAM</b>	<b>Mar 18</b>	<b>5:10-9 PM GH-1213</b>	<b>Bring only writing implements and calculator (no smartphones)</b>	