

**ACCOUNTING 622**  
**FUNDAMENTALS OF MANAGERIAL ACCOUNTING**

**Course Syllabus**  
**Second Quarter (Spring, 2006)**

**INSTRUCTOR:**

John E. Core  
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**COURSE OBJECTIVES:**

This course emphasizes the use of accounting information for *internal* planning and control purposes. This orientation contrasts with financial accounting where the focus is on accounting disclosures for parties *external* to the firm.

The course is intended as an introduction for individuals who will make business decisions and evaluate the performance of managers and business units using data obtained from the accounting system.

The course will cover the vocabulary and mechanics of cost accounting, basic issues involved in the design of a managerial accounting system, and the role of management accounting in decisions concerning resource allocation and performance evaluation.

Throughout the course, we will pay particular attention to various (unintended) dysfunctional consequences of traditional managerial accounting systems, as well as possible solutions to these problems.

## FORMAT:

The course will be a combination of lecture (with solutions to selected problems), case work, and interactive class discussion. **I will assume that you have prepared the required material for each class.**

- Eight cases will be covered during the course. Each student will be required to turn-in *three* of these eight assignments (but should be prepared to discuss *all* of the cases in class). You must turn in:

(a) *either* Bridgeton Industries *or* Destin Brass

*and*

(b) *either* Kanthal *or* Shuman Automobiles

*and*

(c) *either* Barrows Consumer Products *or* Citibank.

Questions for the cases are in the bulk pack following each case. Case solutions must be no longer than *four* typed pages (excluding exhibits and tables). Note that we will only grade three cases.

**Cases must be turned in by 10:00 a.m. in the accounting department on the date of the case assignment.**

**No late cases or cases sent by e-mail will be accepted.**

The case assignments can be done individually or in groups of two to five persons. I will not become involved in any group disputes. Groups will have to monitor and manage themselves. All members of the group will receive the same grade on the case. In order to avoid "free-rider" problems, group membership can change during the course.

**All groups must work independently.** Members of different groups are ***not*** allowed to discuss the cases or share answers prior to the cases being turned in to the accounting department. You are responsible for ensuring that work done by your group is done independently of other groups.

- You are also required to turn in the solution to a problem set to be distributed in class (see Session #7). This assignment can be done ***individually*** or in ***teams***.

## **GRADING:**

1. Class participation (15%)
2. Three case write-ups (30%)
3. Solution to a problem set (15%)
3. Comprehensive final examination (40%)

**In addition, it is necessary to earn at least a passing grade on the final examination in order to receive a passing grade for the course.**

## **OTHER ISSUES:**

**Neither an interview, travel in connection with an interview, nor vacation travel is an acceptable reason to miss an examination or a case assignment.**

**No make-up examinations or case assignments will be available.**

**Regrade requests for homework assignments or the final exam must be submitted in writing within one calendar week following the return of the assignment (or one week following the start of the next term for the final exam). To have an assignment or exam regraded, you must submit the original (with no modification) and a written description of your disagreement with the initial grade.**

## ***REQUIRED MATERIALS:***

Bulk packet of class notes, readings, and cases (available from Wharton Reprographics). The bulk packet is designated as **BP** in the course schedule.

**Any additional materials handed out in class will be applied to your bursar bill at the end of the term.**

**OPTIONAL MATERIALS:**

The textbook for this course is:

C. Horngren, S. Datar, and G. Foster, *Cost Accounting: A Managerial Emphasis*, Prentice-Hall, 12<sup>th</sup> ed.

This text is designated as **HDF** in the course schedule. The purchase of this text is optional. If you do not purchase the text, you should have access to another cost or managerial textbook that covers the same material.

## ACCT 622 - COURSE OUTLINE AND SCHEDULE

### 1. (Monday 1/9) Introduction and Cost Concepts

**Major objectives:** Introduce important cost terms and concepts. Define and illustrate cost objects, direct costs, and indirect (or overhead) costs. Understand the associations between cost drivers, variable costs, and fixed costs, and the major assumptions underlying the definitions of variable and fixed costs. Review the concepts of contribution margin and cost-volume-profit analysis.

**BP:** Class Notes (Session 1)

**HDF (optional):** Chapters 2, 3, and 10

### 2. (Wednesday 1/11) Cost Concepts (continued)

**Major objectives:** Understand the computation of breakeven point and the notion of relevant costs. Apply these concepts to a legal dispute between two contractual parties.

**Required Case (BP): Forrest Gump**

**BP:** Class Notes (Session 2)

**HDF (optional):** Chapters 11 and 12

### 3. (Wednesday 1/18) Product Costing

**Major objectives:** Describe the mechanics of cost accounting systems. Define cost allocation and overhead rates. Understand costing methods using actual, normal, and standard costing.

**BP:** Class Notes (Session 3)

**HDF (optional):** Chapter 4

### 4. (Monday 1/23) Burden Rates, Cost Behavior, and Outsourcing Decisions

**Major Objectives:** Apply the concepts covered in the first three sessions to an actual decision. Refine understanding of cost behavior, relevant costs, and cost accounting system output. Understand the limitations of "full costs" and traditional cost accounting systems in decision-making.

**Required Case (BP): Bridgeton Industries <-- Case Assignment**

## 5. (Wednesday 1/25) Cost Allocation and Activity-Based Costing

**Major Objectives:** Review the purposes and process of overhead cost allocation. Understand the differences between traditional cost systems and Activity-Based Costing (ABC). Apply ABC concepts in an actual decision-making context to understand the effect of cost accounting methods on perceived product profitability, and the use of ABC data in operational and marketing decisions.

**Required Case (BP): Destin Brass <-- Case Assignment**

**BP:** Class Notes (Session 5)

**BP:** Cooper, R. and R. Kaplan, "Activity-Based Cost . . ."

**HDF (optional):** Chapter 5

## 6. (Monday 2/6) Customer Profitability Analysis

**Major Objectives:** Understand the inability of most accounting systems to provide useful data for marketing or sales decisions. Examine the use of Activity-Based Costing for determining customer profitability. Discuss the application of customer profitability data to operational, marketing, and strategic decisions.

**Required Case (BP): Kanthal (A) <-- Case Assignment**

**BP:** Class Notes (Session 6)

**BP:** O'Guinn, M. and S. Reischke, "Customer-Driven Costs . . ."

**HDF (optional):** Chapter 14

## 7. (Wednesday 2/8) Comprehensive Problem Set

**Major Objectives:** Turn in and review a problem set covering concepts from the first six sessions.

**Required Problems:** Problem Set (Due by 10:00 a.m. in the Accounting Suite)

## 8. (Monday 2/13) Common Cost Allocation and Transfer Pricing

**Major Objectives:** Review stand-alone and ability-to-bear methods for allocating common costs. Discuss transfer pricing methods and their implications for decision-making and performance evaluation.

**Required Case (BP): Shuman Automobiles <-- Case Assignment**

**BP:** Class Notes (Session 7)

**HDF** (optional): Chapters 15 and 22

## 9. (Wednesday 2/15) Budgets, Standard Costing, and Variance Analysis

**Major Objectives:** Introduce flexible budgets and standard costs as aids for planning and control. Understand the use of standards for variable costs. Learn how variances between actual and standard costs can be broken into price and efficiency variances to assist in assigning responsibility and examining the variances' causes.

**BP:** Class Notes (Session 9)

**HDF** (optional): Chapter 7

## 10. (Monday 2/20) Performance Evaluation Using Accounting Measures

**Major Objectives:** Understand the advantages and disadvantages of various types of accounting-based performance measures. Discuss how and when these measures lead to dysfunctional outcomes for the firm. Introduce the concept of economic-value added (EVA) measures.

**Required Case (BP): Barrows <-- Case Assignment**

**BP:** Class Notes (Session 10) – *to be distributed in class*

**BP:** Dierks and Patel, “What is EVA ...”

**HDF** (optional): Chapter 23

**11. (Wednesday 2/22) Non-Financial Performance Measures and the Balanced Scorecard**

**Major Objectives:** Evaluate the use of non-financial performance measures such as employee and customer satisfaction for decision-making and control purposes. Introduce the balanced scorecard concept, and the use of “causal” business models in performance measurement.

**Required Case (BP): Citibank <-- Case Assignment**

**BP:** Class Notes (Session 11)

**BP:** Kaplan and Norton, “Linking the Balanced Scorecard to Strategy.”

**HDF (optional):** Chapter 13

**12. (Monday 2/27) Cost Accounting and the Evaluation of New Business Ventures**

**Major Objective:** Apply the concepts learned in this class to the evaluation of a start-up business venture.

**Required Case (BP): Caribbean Internet Café**

***Final Examination Wednesday, March 1st from 6-8pm***