



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

ACC 251
Managerial Accounting and Controls
Winter 2019

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Teaching Assistant: _____

TA's Office Hours: _____

Professor's Office Hours: by appointment on Tuesday or Thursday – email to schedule

Class Meeting Time

Day/Time: Monday 12:10 – 4:00 pm Room: GH-1213 Gallagher Hall

FINAL EXAM: Monday March 18th, 12:10 – 4:00 pm GH-1213

CANVAS: all materials from the coursepack as well as class handouts

Course Introduction

ACC251 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, including the costs of customers. Cost of customers analysis is used to evaluate customer profitability, which is critical to marketing and sales strategies.

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. This is in keeping with the new CPA exam format that emphasizes critical thinking, analysis, and applied problem solving.

ACC251 will support you in preparing for the Business Environment and Concepts (BEC) section of the CPA exam. The BEC section is the shortest CPA test; however, it tests a broad set of skills, including:

1. Corporate Governance (17-27%)
2. Economic Concepts and Analysis (17-27%)
3. Financial management (11-21%)
4. Information technology (15-25%)
5. Operations Management (15-25%)

No single course can cover the breadth of this test; however, with the exception of item 4, ACC251 will touch on all of the remaining components. Case-based instruction is excellent preparation for the new task-based simulations and writing components of the test.

If you are interested in obtaining additional certifications in management accounting, consider the Institute of Management Accountants' CMA certificate: <http://www.imanet.org/cma-certification/cma-certification-overview>, or the CGMA credential offered jointly by the AICPA and CIMA <http://www.aicpa.org/Membership/Pages/cgma-designation.aspx> and <http://www.cgma.org>. The IMA has a Sacramento Chapter and you may wish to consider student membership as a means of networking with local firms who hire management accountants. ACC251 is a good starting point for these certifications; however, consult the testing organization's website for additional guidance and exam preparation.

Required Materials

Coursepack (Study.net) 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 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.

I have intentionally selected the older 4th edition of the book to help you save money. There is a more expensive 5th edition, which is fine for purposes of study, but will not match with the self-study problems for each class. I repeat, **the suggested self-study problems, for which I will supply a solutions guide, are from the 4th edition and are not aligned with either the 5th edition or with earlier editions.**

Course Support

The course TA is available in regular scheduled weekly office hours. The TA has been instructed not to work ahead or to accept substantive questions about upcoming classes and upcoming case writeups. However, the TA is very willing to review class material and to assist you with the textbook self-study problems. I am also available by appointment for office hours if you need additional assistance.

Grades: will be determined as follows

Class Participation	15%
Case Writeups	15%
In class Midterm	15%
In class Final Exam	55%

Class Participation

Class participation grades are based on the quality of **active participation** in class discussion, **NOT attendance**. You will earn one of three marks (2, 1, 0) each day for your class participation. Thus, you have the potential to earn 18 participation points for the 9 class sessions. Class participation points are awarded for a variety of positive classroom behaviors including: asking pertinent questions, answering questions, and volunteering important case information when appropriate. Making a mistake does not reduce your class participation grade and can increase it; exploring faulty reasoning can be a very powerful basis for learning. So please speak up even if you aren't completely confident of answers!

Participation points will be deducted for behaviors that detract from discussion, including but not limited to using cellphones, computers and other electronic devices during class without instructor permission.

I will drop the lowest daily class participation mark. Thus, if you must miss class for any reason, one absence 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 Canvas.

Classroom Etiquette

- **Please 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. There will be at least one break in each class when you can slip in or out if you have an important conflict in the early or later half of class. If you must miss class, please obtain handouts from the web site and obtain notes from another class member. You are not required to contact me in the event of an absence; however, if you are having a personal issue that is associated with your absence and I can be of assistance, then by all means, reach out to me.
- **Please turn off audible cell phones, pagers and watch alarms** for the duration of class.
- **Remove the temptation of peeking at your cellphone during class --- put it in your bag and leave it there until break.** Trust me --- when you look at your cellphone whether it is on the desk or in your lap, it is very visible from the front of the room and research shows that even having it within reach disrupts your learning and concentration. I will deduct class participation points for it and will not hesitate to call on you if you are doing this. You will have time during breaks to review messages.
- Unless we are viewing online materials together, **computers are to remain closed** for the duration of class. **Bring a paper copy of your case analysis notes to support class discussion.** Take notes by hand --- there is compelling scientific evidence that this significantly enhances learning and retention. I will tell you in advance when you will need to use laptops during class.

Case Writeups

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. These problems require integrative thinking and clear

communication and are excellent preparation for the new questions in the BEC section of the CPA exam.

The second, *ungraded* part of preparation is a set of self-study problems from the textbook. These are intended to isolate key technical features of the material in a simpler setting than the case study and to give you practice in skills that will be tested on the BEC test of the CPA exam. I will supply an answer key, but I urge you to try to solve the problems yourself before consulting the key. If you're unable to obtain the solution, the course TA is prepared to work problems with you in office hours.

Questions about the case that are to be answered in your case writeup are designated by an asterisk (*) in the Class Preparation Questions (available on Canvas). Assigned problems from the textbook are also indicated in Class Preparation Questions; however, again, **these are not to be submitted for a grade, but are for your self-study.**

What is allowed: this is an Individual Assignment; however, team discussion beforehand is permitted. The case questions are designed to prepare you to participate in class. If you do not give sufficient attention to them before class, you may find the pace of class challenging and have difficulty participating in the discussion. 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 or permitting another student to copy your work are violations that will be referred to Student Judicial Affairs for investigation.

Submission: Bring a paper copy of your writeup to turn in **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 lowest case writeup grade, so if you are unable to complete an assignment on time, this will serve as your dropped mark.

Grading: Case writeups will be graded based on 50 points. Case writeups are intended to prepare you for class and to give you an opportunity to apply concepts from the textbook. I do not expect that you will answer every question perfectly. I expect that you will approach each question thoughtfully and that your answers will demonstrate consideration of the issue(s) and the case data. As their light weighting indicates, I do not expect case writeups to be a significant determining factor in final grades. However, I do expect that those who do not prepare at the level that the case writeup demands, will have difficulty with the more important course assessments.

Formatting: 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.

Midterm Exam

There will be an in-class, closed book midterm exam that will take place in the second half of Class 6.

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. If we are able to schedule it around your other courses, the TA will run an optional review session before the midterm and final exams to address any outstanding questions.

The Exam:

The final exam is a written, closed note, closed book exam. The exam covers materials from the full course; however, because the midterm covers classes 1-5, the final exam will be more heavily weighted toward materials in classes 6-9. 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.**

Code of Academic Conduct

Please read the Code of Academic Conduct and follow its guidelines: [Code's webpage](#).

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.

Students sometimes 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 --- 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 7	<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>BBusinessweek</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 <i>WSJ</i> “Soap Opera: Amazon moves in with P&G” Oct 14, 2013. <i>WSJ</i> “Rolls-Royce to Revamp Finance Team” Aug 2, 2017 	P&G Polska (self-authored)
2	Jan 14	<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>The Economist</i> “Free exchange: Land of the corporate giants” Nov 3, 2012. p.76 <i>WSJ</i> “The high cost of raising prices” July 30, 2017 <i>WSJ</i> “For Time Inc’s Magazines, fewer copies is the way forward” Oct 10, 2017 <i>WSJ</i> “As Economy Zooms, India’s Postmen Struggle to Adapt” Oct 3, 2006 <p>Following readings will be used for an in-class exercise:</p> <ul style="list-style-type: none"> <i>WSJ</i> “U.S. Postal Service tries hand as a fishmonger, grocer” Aug 17, 2015 <i>WSJ</i> “Why the post office gives Amazon Special Delivery” July 13, 2017 <i>WSJ</i> “Packages weigh on U.S. Postal Service as losses grow” May 11, 2018 <i>WSJ</i> “GM’s conundrum: Too many factories making slow-selling cars” Oct 9, 2017 <i>WSJ</i> “Open all night: America’s car factories.” Aug 17, 2013 <i>Slate</i> “It’s time to get worried about the Auto Industry” May 3, 2017 <i>WSJ</i> “Companies unplug from the Electric Grid, delivering jolt to utilities” Sept 17, 2013 <i>WSJ</i> “Utilities’ profit recipe: Spend More” Apr 20, 2015 <i>WSJ</i> “As conservation cuts Electricity use, Utilities turn to fees” Oct 20, 2015 <i>WSJ</i> “As oil slips below \$50, Canada digs in for a long haul” Jan 12, 2015 <i>WSJ</i> “Good times run out for sand producers” Jan 1, 2015 <i>WSJ</i> “Effort to crush shale producers only made them stronger” June 9, 2017 	Bridgeton Industries (9-190-085)

3	Jan 28	<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>Airline Business</i> "Changing life-spans hit depreciation" Mar 2013 p. 48. <i>WSJ</i> "Factories grapple with how fast to ramp up" June 20, 2010. <i>WSJ</i> "Man vs. Machine, a jobless recovery" Jan 17, 2012. <p>Following readings will be used for an in-class exercise:</p> <ul style="list-style-type: none"> <i>WSJ</i> "More students subsidize classmates' tuition" Jan 13, 2014. <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>WSJ</i> "Job market embraces massive online courses" Sept 26, 2013 <i>WSJ</i> "Community Colleges try to revamp image to keep students" Sept 19, 2013. <i>The Chronicle of Higher Education</i> "Report by faculty group questions savings from MOOCs" Oct 16, 2013. <i>WSJ</i> "Bigger Loans for STEM Students" Aug 14, 2016 <ul style="list-style-type: none"> (*) <i>Chronicle of Higher Education</i>, "Accounting for Success" Feb 3, 2014 <i>Will be handed out in class, not in coursepack</i> 	<p>Seligram (9-189-084)</p>
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4	Feb 4	<p>Activity Based Costing:</p> <ul style="list-style-type: none"> mechanics and implementation for manufacturing and service firms costing capacity and treatment of excess capacity <p>Productivity measurement and management</p>	<ul style="list-style-type: none"> Chapter 9 –learning objectives 1-5 Chapter 10 – learning objectives 1, 2, 5, 6 Chapter 18 – pp 693 - 696 Profit Priorities from Activity-based costing (HBR OnPoint product #3588) No-nonsense Guide to Measuring Productivity HBR OnPoint product #3596) WSJ “Margin pressure ahead for US Companies” Aug 13, 2017 <p>Following readings will be used for an in-class exercise:</p> <ul style="list-style-type: none"> NYT “A Big Star May not a Profitable Movie Make” Aug 28, 2006 WSJ “New Recipe for Cost Savings: Replace Expensive Workers” June 11, 2003 Forbes “5 Priceless ways Walmart’s Investment in workers is paying off” Nov 1, 2016 WSJ “Costco’s dilemma: Be kind to its workers, or Wall Street?” Mar 26, 2004. Businessweek “Unintended consequence of Wal-mart’s raise: Unhappy workers” Aug 5, 2015 McKinsey&Co “Smarter schedules, better budgets: How to improve store operations” August 2015 WSJ “Best Buy gets squeezed” Sept 14, 2011 NYT “Inside Amazon: Wrestling Big ideas in a Bruising Workplace” Aug 15, 2015 WSJ “Workers: fear not the robot apocalypse” Sept 5 2017 WSJ “Employees say time-tracking systems chip away at their paychecks” May 20, 2018. WSJ “What does knee surgery cost? Few know, and that’s a problem”. Aug 21, 2018 WSJ “Mayo Clinic’s unusual challenge: overhaul a business that’s working” June 2, 2017 WSJ “The doctor will see you eventually” Oct 19, 2010 WSJ “ERs move to speed care; not everyone needs a bed”. Aug 2, 2011 NYTimes “‘Virtual’ doctor visits are enticing employers. What if you’re the patient?” Oct 12, 2018 	<p>Wilkerson Co. (9-101-092)</p> <p>Co-operative Bank (9-195-196)</p>
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5	Feb 11	<p>Structural Cost Management: designing organizations for cost-effective production and delivery</p>	<p><i>Consequences of poor business model or process design:</i></p> <ul style="list-style-type: none"> • <i>LATimes</i> “For novice restaurateurs, risk of failure is high” July 25, 2015 • <i>WSJ</i> “Starbucks earnings rise 16%; wait time curbs sales growth.” Aug 3, 2006. • <i>NYT</i> “Alcohol isn’t worth the trouble for some chain restaurants” Sept 26, 2011 • <i>WSJ</i> “Lunchtime anxiety when you have 55 options for one sandwich” May 10, 2018 <p><i>Applications: Process design in food service industries</i></p> <ul style="list-style-type: none"> • <i>BBusinessweek</i> “Fast and Furious” May 9-15, 2011, 64-69 • https://www.youtube.com/watch?v=LOod4MuIGdc • https://www.youtube.com/watch?v=fcqGnZqQJCO • https://www.youtube.com/watch?v=ZWeocXaIPMo • <i>WSJ</i> “How restaurants are using big data as a competitive tool” Oct 2, 2018 • <i>WSJ</i> “How Panera solved its Mosh Pit problem” June 2, 2017 • <i>WSJ</i> “Fast-food chains, upscale restaurants want to bring you lunch” June 1, 2017 • <i>WSJ</i> “Restaurant franchises try truckin’ as a way to grow” Oct 28, 2010 • <i>WSJ</i> “This week, it’s Italian, Next week, Californian” Feb 2, 2012 • <i>WSJ</i> “What happens when cafes pull the plug on wi-fi” Jan 19, 2017 	<p>Benihana of Tokyo (9-673-057)</p>
6	Feb 25	<p>Costing at the Boundaries of the Firm</p> <ul style="list-style-type: none"> • service costs of customers • relation between costs and prices <p>MIDTERM</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> “Trump organization details accounting process in pamphlet” May 31, 2017 • <i>WSJ</i> “Deutsche Bank to cut off around 3,400 clients” Dec 3, 2016 • <i>WSJ</i> “Trucker Rewards Customers for Good Behavior” Sept 9, 2003 • <i>WSJ</i> “America’s truckers embrace big brother after costing insurers millions” June 4, 2017 • <i>WSJ</i> “UPS tries a new twist on surge pricing” May 1, 2017 • <i>NYTimes</i> “Sending potatoes to Idaho? How the free market can fight poverty” Oct 7, 2016 • <i>WSJ</i> “Amazon’s latest ambition: to be a major hospital supplier” Feb 13, 2018 	<p>Owens and Minor (9-100-055)</p> <p>Co-operative Bank (continued)</p>

7	Mar 4	<ul style="list-style-type: none"> Budgeting as a part of strategic planning Budget components: benchmarks, goals Evaluation: Performance to budget and variances Creating better budgets: forecasting and predictive models of cost behavior Communicating with budgets 	<ul style="list-style-type: none"> Chapter 13 Chapter 16 – learning objectives 1-6 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>WSJ CFO Journal</i>. “Balancing the Risk-return equation” July 31, 2013 <i>McKinsey&Co</i> “How benchmarking can improve cost competitiveness in steel” Aug 2017 <i>McKinsey&Co</i> “The return of zero-based budgeting” August 2015 <i>WSJ</i> “Philip Morris moves to zero-based budgeting amid product shift” Oct 1, 2018 <i>WSJ</i> “The culture ate our corporate reputation” Oct 2, 2016 <i>WSJ</i> “MTA Budget Hammered by Overtime” Sept 16, 2013 	<p>Mile High Cycles (9-191-056)</p> <p>Codman & Shurtleff (9-187-081)</p>
8	Mar 11	<ul style="list-style-type: none"> Decentralization and the Principal-Agent problem Structuring pay contracts for individuals and teams Cost allocation vs transfer pricing Economics and incentive effects of transfer pricing 	<ul style="list-style-type: none"> Chapter 12 – learning objectives 1-5 Chapter 15 – learning objectives 1-3 Control with fairness in transfer pricing (HBR reprint #83606) <i>HBR</i> “Bringing the Market Inside” April 2004 107-114. <i>WSJ</i> “From corporate pay to private pensions – lessons from the Nobelists” Oct 11, 2016 <i>McKinsey&Co</i> “Who should pay for support functions?” January 2017 <i>Bloomberg Businessweek</i> “Heads or Tails. Some CEOs win the pay game” Oct 8-14, 2012. pp 23-4. <i>McKinsey Qtrly</i> “The fairness factor in performance management” Apr 2018 <i>HBR</i> “Reinventing Performance Management” April 2015 <i>WSJ</i> “Companies rethink sales rewards” Nov 8 2016 <i>WSJ</i> “Merrill Brokers get ultimatum: refer new customers or face a pay cut” Dec 7, 2016 <i>WSJ</i> “Home sellers get creative with commissions” June 14, 2017 <i>MarketWatch</i> “Why you should avoid small caps for the rest of the year” Sept 11, 2018 <i>WSJ</i> “Crunchtime for Global Tax-avoidance Push” Sept 27, 2015 <i>WSJ</i> “General Electric’s novel tax deal could lead the way” Jan 30, 2017 	<p>Chemical Bank (9-184-047)</p>

9	Mar 15 Friday	<ul style="list-style-type: none"> • Performance measurement scorecards • What does accounting have to do with company culture? • REVIEW: 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>NYTimes</i> “How did Walmart get cleaner stores and higher sales? It paid its people more” Oct 15, 2016 • <i>WSJ</i> “New benchmarks crop up in companies’ financial reports”. Nov 13, 2012 • <i>WSJ</i> “My Plan to Fix the World’s biggest Problems: Measure them!” Jan 26-7, 2013. P C1 	<p>Mobil USM&R (A1) (9-197-120)</p> <p>Mobil USM&R (A2) (9-197-121) <i>(to be handed out in class)</i></p>
FINAL EXAM	Mar 18	12:10 – 4:00	Bring only writing implements and calculator (no smartphones)	