



**Accounting 552  
Management Accounting  
Winter 2015**

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**Course Introduction:**

Management accounting is concerned with the use of accounting data by managers to a) make decisions such as whether to outsource, and b) control (evaluate) business units and personnel of the firm. The course is intended as an introduction for individuals who will make business decisions, evaluate business units, and evaluate others (or be evaluated) through the use of accounting systems. The course is loosely divided into two topics: cost management systems and management control systems. Each topic is briefly described below.

**Cost Management Systems:**

The objective of the cost management system is to provide information about the costs of the goods and services sold by the firm. While financial accounting requires that product cost information be accumulated in particular ways for external reporting, the focus in the course will be on cost systems that aid managerial decision-making.

We will start with a study of traditional systems still in widespread use today. Next, we will examine the problems associated with these systems in today's business environment. Through the use of short lectures and cases, we will discuss situations in which the traditional systems provide seriously flawed or excessively costly product cost information. We will then look at systems such as activity-based costing that have been designed for the special circumstances of some firms in different environments.

**Management Control Systems:**

The second part of the course covers the use of accounting information in the planning and control of individuals and organizational units. A key difference between the material in the second half and that in the first half is that when we discuss the management control system, we will explicitly recognize that

individuals respond to the methods used for the measurement of performance. Thus, the discussion of the design and use of planning and control systems is grounded in human and organizational behavior, although we will be concerned largely with measurement techniques. The purpose of the second half of the course is to identify systems that have widespread use, examine the motivation for that use, and especially to identify how and when misuse of the systems can be dysfunctional. In addition to financial measures of performance, we will also consider nonfinancial measures such as measures of customer satisfaction.

### **Course Format and Philosophy:**

The course uses a case format. As managers, you will need to make decisions in changing competitive environments and with incomplete (and perhaps contradictory) data. Financial information will be important for most of these decisions. This information resides in large part in the organization's accounting system, although the financial accounting system might not aggregate it in a way that is useful for the decision at hand. The course is designed to help you, the manager, use the data available to make the best decision, given your goals and the competitive environment. It is important to note that over time or when moving to a different organization, your goals, the competitive environment, or the data available might change. This means that your decision might change in a different situation. By using cases, we can focus on the process of using the information available rather than forcing the use of a particular tool or technique when the technique does not fit with your goals or available data.

### **Course Materials:**

- **Required Packet of Course Materials:**

Includes cases for the course, case discussion questions, and a sample final exam (see the Table of Contents on the last page of this syllabus).

### **Textbook(s): NOT Required or Recommended (except as below).**

As a case course, we develop methods to transform data in ways useful for the particular decision, business setting, and so on. The focus is on the decision and not the technique or tool. Textbooks are focused on developing concepts and calculations, sometimes in the absence of a decision context. For this reason, we do not use a textbook in the course. However, we recognize that some students are more comfortable reading up on certain concepts and techniques and a textbook can fulfill that purpose. In addition, some students would like to go into more depth about a certain topic. Therefore, we list below two texts that cover the material in the course. We STRONGLY recommend that you DO NOT buy any of these until the course starts and you determine one of them would be useful. All are available at Amazon.

1. Horngren, C., S. Datar, and M. Rajan, *Cost Accounting: A Managerial Emphasis*, 14<sup>th</sup> ed., Prentice-Hall (2011)

2. Lanen, W., S. Anderson, and M. Maher, *Fundamentals of Cost Accounting*, 4<sup>th</sup> ed., McGraw-Hill/Irwin (2014)

## Evaluation:

Grades will be based on the completion of on-line surveys requiring decisions or analyses from the cases (5%), two case analyses (20%), class participation (25%), and the final examination (50%). You should prepare for case discussions by considering the questions for each case. These questions are included in the course materials. You are encouraged to analyze and discuss these cases with others in the course. The discussion questions are to guide your analysis of the case only. You need not prepare any written response for submission, except for the two case analyses.

Summarizing, the final course grade is based on:

Online Surveys	5%
Class participation	25%
Two case analyses	20%
Final examination	50%
Total	100%

## Online Surveys:

The on-line surveys are to be completed *individually* by 6AM (06:00) on the day of the case. Although the surveys are to be submitted individually, we encourage you to discuss these questions with others. The link will be posted as a C-Tools announcement. These surveys provide us some preliminary feedback on your initial assessment of the key issues in the case. For the submitted answer, there is no one “right” answer (although there might be answers that are “wrong”). However, we will only assess whether the answer (a) addresses the question and (b) uses information from the case.

## Two Case Analyses:

The case analyses are to be done in groups (see below). The case analyses are a (maximum) five-page typed response to assigned case questions due at the beginning of class on the day the case is discussed. (Bring a copy if you want to refer to it during the discussion.)

- **Group Assignment for the Two Case Analyses:**

We will assign groups and the groups will change for the two case analyses. The group assignments for both cases will be posted on C-Tools. Generally, all group members will receive the same grade. However, there will be a short peer evaluation survey, which might affect the grade in cases where the peer evaluations reveal a lack of participation.

**The cases for which a case analysis is due are:**

**Cost management systems: Dakota Office Products**

**Management control systems: Caja España.**

The case assignments are also noted on the Course Outline below.

You may use any format, including prose, bullet points, poetry (including free verse), or outlines, as long as the analysis is comprehensible. The case analyses

are to be typed, doubled-spaced, with one-inch margins. The five-page limit does not include supporting exhibits, which should be kept to the necessary minimum. The grade will be based on soundness of analysis, application of relevant principles, and clarity of exposition. Late submissions will not be accepted.

We will assign specific questions for the case analyses. Your answers should identify key issues, suggest alternative actions, and, where appropriate, take a position that is ***supported and reasoned using case data***. A simple summary of case facts is not sufficient. These assignments are intended to demonstrate your ability to identify the issues and offer insights into the situation.

### **Participation:**

Case discussion is a major part of the class and the value of the class to you and your classmates depends directly on the quality of this discussion. Participation includes, but is not limited to:

- Responding to questions (either from me or from a classmate);
- Asking a question that leads to a useful discussion;
- Relating the issues in the class discussion to those you have encountered at work or that are in the news.

### **Final Examination:**

The final examination will be a case analysis, similar to those discussed throughout the course. For this reason, be sure that you participate actively in your group discussions. You will be given the case (without questions) on the last day of class. (A copy will also be posted on C-Tools.) A sample exam (case, questions, and suggested solution) is included in the course materials.

### **Academic Honor Code:**

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code. The Code and related procedures can be found at

[www.bus.umich.edu/Academics/Resources/communityvalues.htm](http://www.bus.umich.edu/Academics/Resources/communityvalues.htm).

The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code and related information appearing on the site will be viewed as irrelevant should a violation take place.

### **Accommodation for Disability:**

If you need an accommodation for a disability, please let us know at your earliest convenience. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make us aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. We will treat information you provide as private and confidential.

## Course Outline:

**Introduction to Management Accounting:**

	Date	Topic	References*	Material
1.	Monday, January 12	Introduction; Core Concepts	Learning by the Case Method	<b>Case:</b> Wolverine Components <sup>†</sup>  <b>Lecture:</b> Cost Allocation and Relevant Costs

**Cost Management Systems:**

2.	Wednesday, January 14	Decision Making and Traditional Product Costing	HDR Ch. 4 LAM Ch. 6	<b>Case:</b> Bridgeton  <b>Lecture:</b> Capacity Costing
	<b>Monday, January 19</b>			<b>Martin Luther King Jr. Day — No classes</b>
3.	Wednesday, January 21	Cost Information for Reporting; Costs of Capacity	HDR Ch. 4 LAM Ch. 6	<b>Case:</b> Anagene  <b>Lecture:</b> Activity Based Costing
4.	Monday, January 26	Activity Based Costing (ABC)	HDR Ch. 5 LAM Ch. 9	<b>Case:</b> Wilkerson  <b>Lecture:</b> First-stage Cost Allocation
5.	Wednesday, January 28	Costing and Decision Making in a Service Organization	HDR Ch. 5 LAM Ch. 9	<b>Case:</b> Cambridge Hospital  <b>Lecture:</b> Costing at the boundaries of the firm

\* Except for the first session, these refer to chapters in Horngren, et al. (HDR) and Lanen, et al. (LAM). Note that some chapters discuss multiple topics, only some of which apply to the material we will cover in the course.

<sup>†</sup> This case will be distributed in class.

	Date	Topic	References	Material
6.	Monday, February 2	Assessing Customer Profitability	HDR Ch. 14 LAM Ch. 10	<b>Case:</b> Dakota Office Products  <b>Lecture:</b> Decentralization, Incentives, and Performance Measurement in Organizations

### Management Control Systems:

	Date	Topic	References	Material
7.	Wednesday, February 4	Introduction to Management Control Systems	HDR Ch. 13 LAM Ch. 12	<b>Case:</b> Codman & Shurtleff  <b>Lecture:</b> Profit Planning
8.	Monday, February 9	Profit Planning	HDR Ch. 6 LAM Ch. 13	<b>Case:</b> Cafes Monte Bianco  <b>Lecture:</b> Performance Measurement in Organizations
9.	Wednesday, February 11	Business Unit Performance Measurement	HDR Ch. 23 LAM Ch. 14	<b>Case:</b> Barrows Consumer Products  <b>Lecture:</b> Transfer Pricing
10.	Monday, February 16	Transfer Pricing for Control and Evaluation	HDR Ch. 22 LAM Ch. 15	<b>Case:</b> Caja España (A)  <b>Lecture:</b> Variance Analysis

	Date	Topic	References	Material
11.	Wednesday, February 18	Control and Evaluation in Profit and Cost Centers	HDR Ch. 7 LAM Ch. 16	<b>Case:</b> agm.com  <b>Lecture:</b> Balanced Scorecard and Multiple Measures of Performance
12.	Monday, February 23	Balanced Scorecard	HDR Ch. 19 LAM Ch. 17	<b>Case:</b> Citibank: Performance Evaluation  <b>Lecture:</b> None

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**Integration and Review:**

	Date	Topic	References	Material
12.	Monday, February 23	Review	None	
	<b>Wednesday, February 25 (8:00am – 10:00am)</b>		<b>Final Examination (Rooms to Be Determined)</b>	

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## **Table of Contents**

### **Packet of Required Cases (with Suggested Questions) and Other Materials**

- A552 Syllabus
- Learning by the Case Method (Harvard Note #9-376-241)
- Case Discussion Questions
- Bridgeton Industries: Automotive Component and Fabrication Plant (Harvard Case #9-190-085)
- Anagene (Harvard Case #9-102-030)
- Wilkerson (Harvard Case #9-101-092)
- Cambridge Hospital (Harvard Case #9-100-054)
- Clarification: Cambridge Hospital
- Dakota Office Products (Harvard Case #9-102-021)
- Codman & Shurtleff (Harvard Case #9-187-081)
- Cafes Monte Bianco (Harvard Case #9-198-088)
- Barrows Consumer Products (A)
- Caja España (A) (Harvard Case #9-104-044)
- agm.com (B)
- Citibank: Performance Evaluation (Harvard Case #9-198-048)
- Exam case: SoMa Electronics
- Exam questions: SoMa Electronics
- Exam solutions: SoMa Electronics