

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

**Course Syllabus**  
**Third Quarter (Spring 2010)**

**Monday/Wednesday Schedule (Sections 001, 003, and 005)**

**INSTRUCTOR:**

John Core  
1320 Steinberg Hall-Dietrich Hall  
email: [jcore@wharton.upenn.edu](mailto:jcore@wharton.upenn.edu)  
Office Hours:  
Monday, Tuesday, Wednesday, and Thursday 3:15 p.m. to 4:15 p.m.

The teaching assistants for the course are:

Javier Artola	Thomas Cuvelier	Adam Lessler
Lydia Asaf	Michelle Hurtado	Daan Livestro
Mark Boucher	Samuel Isaacson	Ranjit Ramachandran

Teaching Assistant Office Hours are in 215 Steinberg Hall-Dietrich Hall:

- Monday from 3 to 5 pm
- Tuesday, Wednesday, and Thursday from 4:30 to 6:30.

*Office hours begin Thursday January 14. See webCafé for TAs each day.*

**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. **We will assume that you have prepared the required material for each class.**

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

(a) *either* Bridgeton Industries (due Tue. 1/19) *or*  
Destin Brass (due Tue. 1/26)

*and*

(b) *either* Kanthal (due Thurs. 1/28) *or*  
Shuman Automobiles (due Tues. 2/2)

*and*

(c) *either* Barrows Consumer Products (due Mon. 2/22) *or*  
Citibank (due Wed. 2/24).

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.* That is, if you turn in both Bridgeton and Destin, we will only grade Bridgeton.

**Please note that case solutions will be discussed in class. No handouts of case solutions will be available. If you have a question about the solution, please see us during office hours. Also, if you think that the grade is incorrect, please submit a re-grade following the procedure below.**

**Cases and problem sets must be turned in by 10:00 a.m. on the date of the assignment. You have three options for turning in the case:**

1. Turn it in by 9 am to Prof. John Core. He will be in 355 JMHH on Monday/Wednesday, and in 340 JMHH on Tuesday/Thursday.
2. If during business hours, turn it into to accounting secretaries in the accounting Suite 1300 SHDH.
3. If outside business hours, slip it under left door of the accounting Suite 1300 SHDH.

**No cases or problem sets sent by e-mail will be accepted. Any cases or problem sets turned in after 10:00 a.m. will be subject to a minimum 10% grade reduction.**

- You are also required to turn in the solution to a problem set to be distributed via WebCafe (due Mon. 2/15 -- see Session #8).

The cases and problem sets can be done individually or in groups of two to five persons. We 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. **Additional student names will not be allowed to be added to cases or the problem set after they have been turned in. Please make sure that your team members have included your name on any assignments.**

**All groups must work independently.** Members of different groups are ***not*** allowed to discuss the cases or problem sets 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.

### GRADING:

Your grade will be computed based on  $\max(\text{Score A}, \text{Score B})$ , where Score A and B are:

	Score A	Score B
Class participation	<b>10%</b>	<b>0%</b>
Final exam	<b>45%</b>	<b>55%</b>
Three case write-ups	30%	30%
Problem set	15%	15%
Total	100%	100%

**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.**

Grades will be distributed as follows:

Grade	Approximate Percentage
A range	40%
B range	50%
C range and below	10%

In the past, relatively few students (less than 1%) have failed this class.

John Core's students will be graded separately from Prof. Ittner's students.

### REGRADE REQUESTS:

Re-grade 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 re-graded, you must submit the original (with no modification) and a written description of your disagreement with the initial grade.

#### **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. Please note that our final is scheduled for Fri Mar. 5 from 10 am to noon. WE CANNOT OFFER THE FINAL EARLY FOR ANY REASON.**

#### **REQUIRED MATERIALS:**

You must buy the bulk pack of readings and cases (available from Study.Net / Reprographics). The bulk packet is designated as **BP** in the course schedule.

Class notes are available on WebCafe. You may print these or purchase copies from Study.Net/ Reprographics.

**A small number of additional pages will be handed out in class, and will be applied to your bursar bill at the end of the term.**

#### **OPTIONAL MATERIALS:**

The *optional* textbook for this course is:

C. Horngren, S. Datar, G. Foster, M. Rajan, and C. Ittner, *Cost Accounting: A Managerial Emphasis*, Prentice-Hall, 13<sup>th</sup> ed.

This text is designated as **TEXT** in the course schedule. The purchase of this text is optional. Copies of TEXT are on reserve in Lippincott.

Additional, optional readings (designated **OPT**) are available on WebCafe.

#### **HELPFUL HINTS:**

- The easiest way to learn accounting is to keep up with the material weekly. Accounting is difficult to learn by cramming. Spend an hour each day on this course outside class (or two hours every other day). You will spend less time in total and understand the material better than if you try to do it all the night before an exam.

- You are graded on participation not attendance. It is OK if you occasionally must miss class. Note, however, that people who miss class frequently tend not to learn the material as well, and do not perform as well on the final.
- Please participate – Everyone learns more, and the class is more enjoyable. Practice speaking up in front of your peers. Business people who can speak well in public are more successful.

## ACCT 622 - COURSE OUTLINE AND SCHEDULE

### 1. (Monday 1/11) **Introduction and Cost Concepts and Cost Behavior**

**Major objectives:** Introduce important cost terms and concepts. Understand the associations between cost drivers, variable costs, and fixed costs, and the major assumptions underlying the definitions of variable and fixed costs. Use these concepts in breakeven analysis.

**Class Notes:** Session 1  
**Bulk Pack:** Cost Concepts, Terms, and Classifications  
**TEXT (optional):** Chapters 2, 3, and 10

### 2. (Wednesday 1/13) **Decision Making ; Introduction to Job Costing**

**Major objectives:** Apply cost concepts to decision-making. Understand the notion of relevant costs. Apply the break-even concept to a legal dispute between two contractual parties. Introduce job costing.

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

**Class Notes:** Session 2  
**Bulk Pack:** Relevant Costs in Nonroutine Decisions  
**TEXT (optional):** Chapters 11 and 12

### 3. (Wednesday 1/20) **Overhead Rates, Cost Behavior, and Outsourcing Decisions; Introduction to Product Costing**

**Major Objectives:** Apply the concepts covered in the first two 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. Introduce product costing.

**Class Notes:** Session 3

**Required Case (BP): Bridgeton Industries <-- Case Assignment due Tues. 1/19**

**4. (Monday 1/25)**

**Product Costing;  
Introduction to Activity-Based 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. Introduce activity-based costing.

**Class Notes:** Session 4  
**Bulk Pack:** Product costing example  
**TEXT (optional):** Chapter 4

**5. (Wednesday 1/27)**

**Activity-Based Costing;  
Introduction to Customer Profitability Analysis**

**Major Objectives:** 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. Introduce customer profitability analysis.

**Required Case (BP): Destin Brass <-- [Case Assignment due Tues. 1/26](#)**

**Class Notes:** Session 5  
**Bulk Pack:** Activity-Based Costing (ABC); Activity Based Costing Example  
**OPT (webcafe):** Activity-Based Cost Systems for Manu. Expenses  
**TEXT (optional):** Chapter 5

**6. (Monday 2/1)**

**Customer Profitability Analysis;  
Introduction to Transfer Pricing**

**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. Introduce transfer pricing.

**Required Case (BP): Kanthal (A) <-- [Case Assignment due Thurs. 1/28](#)**

**Class Notes:** Session 6  
**Bulk Pack:** Unequal treatment: Alienating customers  
**OPT (webcafe):** Customer-Driven Costs Using Activity-Based Costing  
**TEXT (optional):** Chapter 14

**7. (Wednesday 2/3)**

**Transfer Pricing and Common Cost Allocation  
Introduction to Budgets and Variance Analysis**

**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. Introduce budgets and variance analysis.

**Required Case (BP):** Shuman Automobiles <-- **Case Assignment due Tue. 2/2**

**Class Notes:** Session 7

**Bulk Pack:** Organization Structure and Decentralization;  
Transfer pricing; Transfer pricing and common costs;  
Example of General Rule of Transfer Pricing

**OPT (webcafe):** Kambil (2003) ; Wolfers and Zitzewitz (2004).

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

**8. (Monday 2/15)**

**Discuss and Review Problem Set**

**Major Objectives:** Discuss and review a problem set.

**Required Problems:** **Problem Set <-- Assignment due Mon. 2/15**

**9. (Wednesday 2/17)**

**Standard Costing and Variance Analysis  
Intro. to Performance Evaluation using Accounting Measures**

**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. Introduce performance evaluation using accounting measures.

**Class Notes:** Session 9

**Bulk Pack:** Budgeting ; Budget Practices ... ; The Widespread  
Use of Standard Costs; Readings on Variance Analysis



**10. (Monday 2/22)**

**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 due Mon 2/22**

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

**Bulk Pack:** Dierks and Patel, “What is EVA ...”  
Andersen et al. “EVA Adjustments ...”  
Performance Measurement (a) and (b)

**TEXT (optional):** Chapter 23

**11. (Wednesday 2/24)**

**Non-Financial Performance Measures and the Balanced Scorecard  
Course Conclusion**

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

**Required Case (BP):** Citibank <-- **Case Assignment due Wed. 2/24**

**Class Notes:** Session 11

**Bulk Pack:** Widening the Performance ... ; The Balanced Scorecard

**OPT (webcafe):** Kaplan and Norton, “Linking the Balanced Scorecard to Strategy.”

**TEXT (optional):** Chapter 13

**12. (Monday 3/1)**

**Final Review**

**Major Objective:** Summarize and review for final.

***Final Examination -- Friday, March 5<sup>th</sup> from 10am to noon***