



**Accounting 552  
Management Accounting  
Winter 2008**

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## **Introduction:**

### **Course Introduction:**

Management accounting is concerned with the use of accounting data by managers to plan and control (evaluate) personnel and operations of the firm. The focus is on planning, decision-making, and control by the organization and on the accounting systems that managers have to assist them in their decisions about resource allocation and performance evaluation. 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 will be 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 cost 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 readings 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 that have been designed for the special circumstances of firms in different environments.

### **Management Control Systems:**

The second half of the course covers the use of accounting information in the control and coordination of individuals and organizational units. A key difference between the material in the second half and that in the first half of the course is that when we discuss the management control system, we will explicitly recognize that individuals respond to methods used for performance measurement. Thus, the discussion of the design and use of 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 the misuse of these systems leads to dysfunctional outcomes for the firm. We will consider non-financial, operating measures in addition to financial measures of performance.

### **Course Materials:**

#### **Required Course Materials:**

- Packet of Course Materials

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

#### **Recommended Course Materials:**

- Textbook: William Lanen, Shannon Anderson, Michael Maher, “Fundamentals of Cost Accounting” McGraw-Hill, 2<sup>nd</sup> edition, 2008.<sup>1</sup>

The chapters listed in the daily readings of the course outline below refer to this edition of the textbook.

#### **Distribution of Course Materials:**

Material distributed in class that is not subject to copyright protection will be made available on the University’s CTools Web site. You can access this site at:

<https://ctools.umich.edu/portal>

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<sup>1</sup> The first edition of the textbook (Maher, Lanen, Rajan, “Fundamentals of Cost Accounting” McGraw-Hill, 1st edition) can also be used. While the content is largely the same, end-of-chapter exercises have changed somewhat (we can only make available solutions of the current second edition). Note, however, that practicing end-of-chapter exercises is not required in this course.

## Grades:

Grades will be based on class participation, two case analyses, and a final exam as follows:

Class participation	20%
Two case analyses	20%
Final examination	<u>60%</u>
Total	100%

## Case Analyses:

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.) The two case assignments are noted on the syllabus. The case analyses can be done individually or in groups of ***absolutely no more than*** five (5) people. (We do not recommend doing the analyses on your own.) Groups will have to monitor and manage themselves. All members of the group will receive the same grade on the case analysis. You are responsible for ensuring that your name appears on the group's submission. In order to discourage "free-riding" on the cases, the groups can change from one case assignment to the next.

You may use any format, including prose, bullet points, 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 summaries 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.

## Final Examination:

The last scheduled class meeting will be an exam review. There is no midterm exam. The final exam will be on Friday, February 22, 10:30am – 12:30pm and will involve a case analysis. The case (but no case questions) will be distributed on Wednesday, February 20 at 6:00pm. You are free to work on the case with other class members prior to the exam. The primary reason for distributing the

case in advance is to ensure that you have an opportunity to read and thoroughly understand the case before the exam. A sample final exam (including the case, questions, and suggested solution) is included in the course materials.

**NOTE: There will be a single make-up final exam offered. This makeup will take place after Spring Break. The date and time will depend on the schedules of those that require a make-up. No exam will be given prior to the scheduled final exam.**

## Course Outline:

### Introduction to Management Accounting:

	Date	Topic	Readings	Cases
1.	Monday, January 7	Introduction; Core Concepts	Chapters 1, 2	P&G Polska – Abridged

### Cost Management Systems:

2.	Wednesday, January 9	Traditional Product Costing	Chapter 4 , Chapter 6 (pp. 185–195)	Bridgeton Industries
3.	Monday, January 14	Multiple Cost Drivers; Cost System Design	Chapter 6 (pp. 195–200)	Seligram
4.	Wednesday, January 16	Activity Based Costing (ABC)	Chapter 9	John Deere (A) and (B) <b>Case Summary Due</b>
	<b>Monday, January 21</b>	<b>Martin Luther King Jr. Day — No classes</b>		
5.	Wednesday, January 23	Costing at the Boundaries of the Firm	Chapter 10 (pp. 327–335)	Dakota Office Products <i>Forrest Gump</i> <sup>2</sup>

<sup>2</sup> Please prepare in advance for the discussion of the “Dakota Office Products” case. The “Forrest Gump Accountant” case is included in your course packet as supplementary material which you should read only if instructed to do so a week in advance on CTools .

**Management Control Systems:**

	Date	Topic	Readings	Cases
6.	Monday, January 28	Introduction to Management Control Systems	Chapter 12	Kranworth Chair Corporation
7.	Wednesday, January 30	Business Unit Performance Measurement	Chapter 14	Barrows Consumer Products
8.	Monday, February 4	Nonfinancial Performance Measures and The Balanced Scorecard	Chapters 18	Citibank: Performance Evaluation
9.	Wednesday, February 6	Traditional Performance Measures; Variance Analysis	Chapters 16	agm.com (B) <b>Case Summary Due</b>
10.	Monday, February 11	Transfer Pricing	Chapter 15	Caja España

**Integration and Review:**

11.	Wednesday, February 13	Integrating Cost Management and Control Systems		HP Queensferry
12.	Monday, February 18	Review		
	<b>Friday, February 22</b>		<b>10:30am–12:30am: FINAL EXAMINATION</b>	

**Table of Contents**  
**Packet of Required Cases**

- P&G Polska — Abridged
- Bridgeton Industries: Automotive Component and Fabrication Plant
- Seligram, Inc.: Electronic Testing Operations
- John Deere (A)
- John Deere (B)
- Dakota Office Products
- *Forrest Gump — Accountant*\*
- Kranworth Chair Corporation
- Barrows Consumer Products (A)
- Citibank: Performance Evaluation
- agm.com (B)
- Caja España
- Hewlett-Packard Queensferry Telecommunications Division
- Example Final Exam: Cimarrón Securities, Inc. — Case
- Example Final Exam: Cimarrón Securities, Inc. — Questions
- Example Final Exam: Cimarrón Securities, Inc. — Suggested Solution

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\* Optional case to be discussed in class if time allows.