Instructor Information

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Introduction

This document outlines the syllabus requirements for MBAD 6213, Cases in Management Accounting.

In this course, we focus on how to use accounting information to facilitate and control managerial decision making. Managerial accounting is concerned with the internal generation, communication and interpretation of information for both operational and strategic decision-making purposes. Note that this definition and this course both focus on information internal to the firm. We will not be directly concerned here with published or external financial statements or the impact of accounting information in the broader market place. Note also that information is relevant for two types of internal decision-making: operational decision-making, which can include all aspects of planning and controlling an organization’s day-to-day operations; and strategic decision-making, which relates information to the planning and control of an organization’s strategy. The scope of MBAD 213 embraces the planning and control information used for both internal operational and strategic decision-making.
Course Objectives

The objective of MBAD 6213 is to develop your ability to create and use accounting information and tools to facilitate and influence decision-making. This course differs from traditional introductory courses in managerial accounting in several ways. First, the subject content is more contemporary than traditional introductory managerial accounting courses. This means there will be less emphasis on traditional accounting techniques and double-entry bookkeeping and more emphasis on modern cost management and performance measurement techniques. Second, some of the subject content is less procedural and more conceptually advanced than in traditional introductory managerial accounting courses. Third, the course will explore, at an introductory level, theories that underpin the discipline of managerial accounting. Finally, this course will integrate issues in managerial accounting practice directly into class discussions. All sessions will include problems and cases that are based on real world managerial accounting contexts.

By the end of the course you should be able to:

- Identify, understand and discuss the nature, purpose and importance of different types of decision-useful managerial accounting information.
- Identify, understand and apply fundamental quantitative tools and techniques used to generate decision-useful managerial accounting information.
- Make informed strategic and operational business decisions based on your development/evaluation of supporting managerial accounting information.

Instruction Method

Classes will be run in an interactive format, consisting primarily of case discussions and interactive lectures/problem solving. Students will analyze actual business situations. Through these analyses, students will be introduced to real-world complexities and nuances which can not be learned via textbook assignments.

Required Materials

Lanen, W.N., S.W. Anderson, and M.W. Maher. 2011. *Fundamentals of Cost Accounting*. 4th Edition. McGraw-Hill Irwin. This book is a resource book for you. Within each assignment, I highlight the chapters that relate to the cases and practice problems if you feel you need additional practice. Feel free to purchase earlier editions as the material is very similar. I have posted the solutions to the textbook problems for the 4th edition. Note that there is no need to purchase the new, 5th edition as it is more expensive and the changes are not significant.

Topic summaries and videos – posted on Blackboard in “Course Materials” and organized by topic

MBAD 6213 Course Packet - [http://cb.hbsp.harvard.edu/cbmp/access/57358194](http://cb.hbsp.harvard.edu/cbmp/access/57358194)

Also ensure that you have access to the Variance Analysis tutorial.

All other materials will be distributed via Blackboard or handed out in class.
Class Website

This course will use Blackboard. Go to http://blackboard.gwu.edu and log in. Please ensure that you check the website regularly for updates and announcements.

Classroom Logistics

MBAD 6213 will meet for two 75 minute sessions per week. In all, there are 14 sessions, not including one session for the final exam. We will discuss a case during the majority of these sessions. However, some sessions are reserved for new topic introductions and/or review.

Seating Chart

I would like to learn your names and get to know you during our short time together. I have found seating charts to be immensely helpful to me in learning names. Please plan to sign up on a seating chart the first day of class. Additionally, please plan to use your name card during class.

Laptop Policy

I strongly discourage the use of laptops and tablets in class. If you feel that you need to use your computer to access quantitative analyses, please be courteous to your classmates and to me by not using class time to check email, send text messages, or surf the Internet. Additionally, I find that class conversations and communication is much more effective when we can all can look at each other and hear each other clearly. Please let us see your smile and keep your laptop closed unless information on your computer is mandatory for effective class participation.

Attendance Policy

Because the class will be extremely interactive, consisting of interactive lectures and case studies, it is imperative for everyone to attend regularly. Without your input and views, class will not be the same, and you will not earn class participation credit for the day. Consequently, absence may result in a penalty in your final course grade.

Schedule Changes

This course outline is intended as a basic guide, but deviations from it are possible. Additional assignments may be given, and the order and emphasis of topics may be changed. Please ensure that you check the website regularly for updates.

Exam Policy

Exams will be given on the dates scheduled. Make-up exams will be given only when prior approval is given by the instructor. Non-attendance at an exam will result in an automatic failure on that exam.

Grading Distribution

I plan on following the grading distribution recommended for all core classes. This aims for a class average between 3.2 and 3.4 with no more than 20% of the students receiving A’s.
Special Considerations

If a student has a special need, University policy states that the student must co-ordinate with the Office for Disability Services and present the course instructor with the appropriate documentation detailing the fair accommodations for the student. This policy is intended to ensure fairness for all students and privacy for the student with special needs. If you have a special need, please do not wait until after an exam or assignment to present the instructor with evidence of your need as consideration may not be given retroactively. The instructor ensures your privacy will be protected when accommodating special needs.

The University administration has accepted a resolution of the Faculty Senate regarding accommodations of religiously observant students and faculty. The requirements of this resolution state that students must notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance. Faculty member will extend to these students the courtesy of absence without penalty on such occasions, including permission to make up examinations.

Class Preparation Guidelines

I tend to “cold-call” so it is important to come to class adequately prepared. I recommend that you prepare for each session by doing the background reading in the text, working through the assigned problems and preparing the case assignments both individually and with your study group. Since the class is run via case-based learning, it is necessary that you come to class ready (and willing) to share your comments and criticisms. After class, you should compare your case analysis to the classroom discussion and reflect on the lessons learned during our time together.

Over the course of a 7-week module, it is expected that students will spend 17.5 hours of in-class instruction and 38.75 hours outside of class-- preparing for class, doing assignments and taking the final exam.

Assessment Overview

Your grade in MBAD 6213 will be computed as follows:

Case Briefs
- Owens & Minor (A) 7.5%
- Hala Madrid or Compagnie du Froid 7.5%
- Nordstrom 7.5%
- Societe Generale 7.5%

30%

Final Exam 35%

Participation:
- Instructor Assessment 23%
- Peer Assessment 2%

25%

Personal Best (exam or participation) 10%

TOTAL 100%
Case Briefs (30%)

The case brief must be typed and written in a professional style. A printed copy of your case brief is due at the beginning of each case class. Because we discuss the material in class, no late assignments will be accepted. I recommend that you make a copy for yourself for use during class. For these cases, you may choose to work in groups and hand in one copy per group. Alternatively, you may choose to work the cases individually. You can change groups for each case, if desired. Discussion of a case with external parties (i.e., tutors, 2nd year students, your CPA) is not allowed. Discussion of a case across groups (or individuals handling in the case separately) is not allowed. If you hand in the assignment as an individual, you should have worked the case by yourself. If you discuss the case with other students, you have effectively created a group and should submit one assignment. Always keep in mind that collaboration is permitted but any and all collaboration must be reported on the assignment.

The case brief assignments are the primary means by which you will prepare for class sessions. These briefs count for a total of 30% of your final grade. For 4 cases, you will be required to prepare a case brief in advance of the class session, often without discussing the issues in class beforehand. Although you are only required to write a formal case brief for 4 cases, I recommend that you write a case brief for all cases to enhance your learning and to help you better prepare for the exam. If you turn in more case briefs than “required,” the best grades will count toward your final grade. Past experiences and feedback from previous students have clearly shown that the requirement to hand in prepared responses to each case significantly enhances the learning process. Please carefully check the course calendar for details regarding the dates the case briefs are due.

For each case, I have highlighted the focus of the case and provided assignment questions in this syllabus. Be sure to consult this before preparing your case brief. Your case brief should fully answer each of these questions and support your answers quantitatively and using case facts, when appropriate. Each person will be responsible for 4 case brief write-ups. The briefs should contain additional pages of quantitative analysis.

The primary purpose of the case brief submissions is to show evidence of your case preparation, which may not necessarily correspond with perfect answers. As such, the case briefs will be graded primarily for thoughtfulness, completeness, and clarity of your response rather than accuracy of your content.

Final Exam (35%)

The final exam will be an individually-completed, open book/open notes exam covering all topics in the course. The final exam is scheduled for Friday, March 4 from 10AM – 1PM in Duques 151.

Participation (25%)

In order for us to learn the fullest amount, it is necessary for everyone to come ready to participate regularly. I will sometimes call on volunteers in class, but I do “cold call” frequently. I

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1 You are free to select your own teams for this class or work alone – either is fine with me as long as you note the participants on your case submission.

2 Please note that I will not accept case write-ups for Indianapolis (the first case) or for Seligram part II (January 27).
do this for two reasons. First, it is necessary for your future success that you are able to articulate your views and defend them when others in the organization request your opinion. Second, it increases the class level of preparation. When called upon, I don’t expect that you necessarily have “the” answer – in fact, often there are many correct answers. I do expect you to indicate a familiarity with the issues being discussed and a willingness to share your opinion with your colleagues.

The participation grade is comprised of two components: an instructor assessment and a peer assessment of individual participation due on the last day of class.

Instructor Assessment (23%): I will assess participation after each class, based on quality of your comments and questions. To pull your weight, you should be in class, be prepared, and contribute to the classroom discussion. I encourage you to ask classmates to offer advice on how to improve your communication effectiveness. Note that misuse of laptops during class (e.g., email, Internet browsing) or other negative behaviors will lead to a reduction in your daily participation score. Additionally, I reserve the right to adjust your individual participation grade downward at the end of the semester to reflect absences.

Peer Assessment (2%): At the end of the course, you will be required to complete a survey in which you will assess each of the members of your study team (if you are not working in a study team, your participation grade will be solely instructor assessed). These assessments will remain anonymous and will be based on responses to, for example, the following two questions:
- In discussions of cases within your group (for case brief writing), this person …
  - Rank from 1 through 5 based on whether the person contributed more or less than his/her share
- In the classroom (considering everyone in the section), who greatly facilitated your learning?

A peer assessment score of 0% will be automatically assigned to any individual that fails to complete the peer assessment survey.

Academic Integrity Code Application

The course will abide by the Code on Academic Integrity. A copy of this policy is available online at http://gwired.gwu.edu/dos/GuidetoStudentRightsandResponsibilities200708/. Please take time to become thoroughly familiar with this policy. In the highly unlikely event of academic dishonesty, it is my policy to pursue the most severe sanctions available under the policy. Generally, the sanction is an F grade in the course. For this course, all exams, homework assignments, and case analyses are to be completed according to the description above.

Frequently Asked Questions

Q: What if I miss an individual problem and case assignments?
A: If you can’t make it to class, you can submit your assignment via email directly to me. These assignments must be submitted before the start of your class. The assignments allow you to select the dates in which you will hand in assignments. Please use this flexibility to your advantage in working around your other commitments (e.g., family commitments, other classes, interviews, etc.).

Q: Can I prepare for case assignments working with classmates?
A: I have no objection, and, in fact, encourage you to work in groups to discuss and analyze any or all of the individual assignments. However, I expect you to prepare your case write-ups independently. See the policy for academic integrity for more details.

Q: What should I do if I don’t know how to do an individual case assignment?
A: I recommend several courses of action. First, read through the textbook chapter and prepare and evaluate your responses to the practice problems. This should give you adequate preparation to work through the case assignment. Additionally, you can consult with classmates. Finally, please do not hesitate to contact me for help. Remember that the primary purpose for individual assignments is to show evidence that you have adequately prepared for class.

Q: What should I do if I have a dispute over the grading of my work?
A: Please don’t hesitate to send/give me a written description of your claim and I will happily re-grade the work. Please note that once you submit a request for a re-grade, the ENTIRE assignment will be re-graded; your overall grade could change up or down.

Q: What should I do if I am experiencing difficulty in the class – either with the technical work or with participation?
A: If you are consistently having difficulty doing homework, understanding class discussions, or getting into the conversation, let me know as soon as possible so we can develop an appropriate plan of action. It is best if we can work on addressing any issues as soon as possible.

Additional Resources
CASE ASSIGNMENT QUESTIONS

Class Session 1 (January 18): Introduction to Cost Systems and Managerial Accounting
Case: Indianapolis: ABC of City Services (A) (Note – you do not have to perform numerical analyses for this case)
Book: Chapters 2
Optional Practice Problems: 2-18, 2-23 (fixed and variable only), 2-41

Session Focus: Even with extensive financial information, managers may not have adequate information on the cost of producing their products and services. We will discuss why this information might not be adequate, what information we would like to see, and how we would use the new information in decision-making.

Assignment Questions:
1. Should government perform a cost analysis before privatizing government services? Why not “just do it?”
2. Why does Indianapolis have to do a special cost study to learn what it costs to fill potholes? Doesn’t it already have extensive budget and financial information about its operations?
3. Comment on the cost model developed by the project team. What are its particular strengths or weaknesses?
4. Should the city have allowed the municipal employees to see the cost estimates and given them the opportunity to reduce their costs?
5. What problems will Mayor Goldsmith and his senior administrative team have to solve if they continue to outsource city services through competitive bidding? How would you advise them to deal with these issues?

Case: Precision Worldwide, Inc.
Book: Chapter 3, pp 84-94
Optional Practice Problems: 3-22, 3-23, 3-25, 3-26, 3-38

Session Focus: We will start discussing cost behavior and break-even analysis. We will focus on the use of accounting information for managerial decision-making.

Assignment Questions:
1. How many plastic rings must Precision sell in order to recoup its investment? (You can assume that the administrative overhead is entirely fixed.)
2. What action should Hans Thorborg take? Why?

Class Session 3 (January 25): Cost Systems and Accounting for Indirect Costs
Case: Seligram, Inc.: Electronic Testing Operations (for this session, do not analyze the new machine. We will analyze the new machine separately, in a later session)
Book: Chapter 6
Optional Practice Problems: 6-14, 6-15, 6-16, 6-26, 6-34, 6-35, 6-36, 6-37, 6-41, 6-42, 6-45, 6-47, 6-49

Session Focus: Start looking at traditional cost systems.

Assignment Questions:
1. What caused the existing system at ETO to fail?
2. Calculate the reported costs of the five components described in Exhibit 6 under:
   a. The existing cost system
   b. The system proposed by the accounting manager
   c. The system proposed by the consultant
3. Which system do you prefer? Why?
4. Would you recommend any changes to the system you prefer? Why?

**Class Session 4 (January 30): Cost System Review and Introduction to Activity Based Costing**

Session Focus: We will start to discuss innovations in cost accounting systems.

**Class Session 5 (February 1): Activity Based Costing**

Case: Owens & Minor, Inc. (A)

Read: Classic Pen Factory: Developing an ABC Model and Introduction to Activity-Based Costing

Book: Chapter 9


Session Focus: Exploring different ways of determining product costs can reveal valuable insights in competitive conditions, pricing, and greater profitability.

**Assignment Questions:**

1. What are the services rendered by the distributor to manufacturers and hospitals?
   a. How has the nature of distribution changed over time?
   b. What is the value-added by O&M?
2. Evaluate the impact cost-plus pricing has on distributors, customers and suppliers
3. What effect will ABP have on customer behavior?
4. Explain Exhibit 5. How does the pricing matrix work?
   a. How do the costs in Exhibit 5 correspond to the costs shown in the customer profitability statement in Exhibit 4?
   b. Why doesn’t the matrix comprise all the costs shown in Exhibit 4?
5. What are the obstacles to successful implementation of ABP at Ideal? How would you address these obstacles?
6. What type of customer will adopt ABP first?
7. How difficult or easy is it for O&M’s rivals to adopt ABP?
8. What are the risks associated with ABP for Owens & Minor?
9. Work through the Owens and Minor numerical example posted on Blackboard by silling in the template provided.
10. Why is Owens & Minor adopting a cost-based pricing strategy rather than a value-based pricing strategy?

**Class Session 6 (February 3): Excess Capacity**

NOTE FRIDAY MAKEUP – BOTH SECTIONS, 10:15-11:30, DUQUES 151

Case: Seligram, Inc.: Electronic Testing Operations - focus on new machine

Book: pp. 381-387

Optional Practice Problems: 10-24, 10-34, 10-35, 10-39

Session Focus: Learn how to account for and analyze excess capacity.
Assignment Question:
1. What impact will adding this cost center to the main test room have on the allocation rates?
2. Should the new machine be included in the cost center of the main test room or should it be in a separate cost center?

Class Session 7 (February 6): Review of Cost Accounting

Session Focus: Review the material to date (and take a breather). Introduce the management control unit and specifically, budgeting and variance analysis.

Class Session 8 (February 8): Introduction to Budgeting and Variance Analysis

Session Focus: Introduce the management control unit and specifically, budgeting and variance analysis.

Class Session 9 (February 13): Budgeting
Case: Hala Madrid: Managing Real Madrid Club de Futbol, the Team of the Century
Read: Control in the Age of Empowerment
Book: Chapter 13

Session Focus: We will discuss how to build a profit plan, the various assumptions that support the profit plan, and, once completed, how to use a profit plan for strategic planning.

Assignment Questions:
1. With the information in the case, please prepare a draft for the 2004/2005 season budget. Be aware that the figures in the case do not include the effect of the expected “galactico” acquisition for the 2004/2005 season. When preparing the budget consider the following decisions:
   a. With respect to the policy of new player acquisition Real Madrid is considering two options
      i. Acquiring two megastars at an estimated cost of €40 million each in transfer fees and an annual salary of €10 million, or
      ii. Acquiring four rising starts, young players with enormous potential at an estimated cost of €15 million each in transfer fees and an annual salary of €3 million.
   In this decision please take into accounting the following considerations:
      1. The new player will most likely affect the sale of team jerseys. New players’ names will be popular in the sale of new jerseys. However, some of these sales will come at the expense of cannibalizing sales of existing players’ jerseys. The marketing department has prepared the following estimation of net royalty income (after advertising expenses) from team jerseys as a function of the players acquired and the money invested in equipment advertising:
2. The acquisition strategy will affect the sport potential of the team. Most sport analysts believe the rising starts strategy will have a more positive impact in the changes of advancing further the Champions League and winning the Spanish La Liga. The immediate economic implications of sport performance are the following:

a. Advancing one more round in the Champions League increases Real Madrid’s revenue by €5 million partly for additional ticket revenue and partly for increased participation in the UEFA marketing pool. Winning the Champions League only produces a €3.5 million increase over qualifying for the semifinal (as the final is played in neutral stadium only increases participation in the pool).

b. Advancing one more round in the Champions League increases salary expenses by €1 million and winning the competition will trigger bonus payments to players for €14 million.

b. On October 29, 2004 the Spanish newspaper El Mundo announced that an online betting firm, Betandwin.com had offered Barcelona C.F. €15 million a year for having its logo in the team jersey. Respected sport journalist Josep Maria Casanovas wrote the same day in the Barcelona C.F. friendly newspaper Sport that this was an opportunity that could not be missed. Would you recommend to Jose Angel Anchez that he should explore the possibility of signing a sponsorship contract with Betandwin.com?

c. Real Madrid does not officially decide on the accelerated amortization until the end of the fiscal year. Make a recommendation for the 2004/2005 season. Would your recommendation depend on the amount Real Madrid decided to invest in bringing new players to the roster?

d. Real Madrid would like to invest as much as possible in the construction of the “Ciudad del Real Madrid.” The amounts being considered are between €50 and €100 million.

2. Please prepare the monthly cash budget taking into account the following legal and contractual circumstances: (for Extra Credit)

a. As of June 30, 2004, the cash balance for Real Madrid was €169 million
b. Member dues are payable July 1 (typically 70% of the dues are collected during July, 20% in August, and the remaining 10% in September)
c. Exhibition games are prepaid with cash received in July
d. TV broadcast rights are paid 50% in July and 50% in January
e. Current marketing contracts stipulate one payment of 50% in July and 2 payments of 25% each in January and March
f. Jersey royalties are received in roughly equal monthly payments throughout the year contingent on actual sales

g. Transfer fees according to contract but the payments agreed for each year are due in July

h. Salary expenses:
   i. Monthly minimum payments of €3,000 per player (total of €200,000 per month)
   ii. In August and February Real Madrid has to make two payments to the Spanish Tributary Agency of 20% of the salaries as tax withholdings (for a total of 40%)
   iii. The main payments to players are due in two halves in July and January

i. Investments in the Ciudad del Real Madrid: equal monthly payments throughout the year

j. Corporate taxes are paid in 4 approximately equal installments in October, January, April and July

k. Other operating expenses: equal monthly payments throughout the year

l. In the case that cash payments exceeded cash inflows Spanish banks would be willing to cover the temporary cash needs at costs close to EURIBOR

3. After preparing the cash budget, would you change in any way the strategic decisions analyzed previously? How would you try to structure the payments of the contracts? How much would you be willing to give up in order to obtain the suggested payment structure? (For extra credit)

4. Thinking about the budget at your company and comparing it to the budgetary process at Real Madrid, could you assess the differences and similarities between the use of the budget at your company and its use at Real Madrid?

5. Please look at the description of the budgetary process in Exhibit 7. Why do you think the process is structured in this way? Is the design of certain stages more suited than others to achieve certain organizational objectives?

6. What do you think of the public nature of budget discussions at Real Madrid? What would be the consequences of doing this in a publicly traded company, say GE or IBM? How would it affect what you put in the budget?

7. Should it be used to evaluate Jose Angel Sanchez’s performance? How would you judge his performance? Should Sanchez’s targets be stretched? What are the benefits and costs of stretch targets?

Class Sessions 10 & 11 (February 15 and 17): Flexible Budgeting / Variance Analysis / Transfer Pricing and Strategic Coordination

NOTE FRIDAY MAKEUP – FEB 17, NORMAL TIME AND ROOM

Case: Compagnie du Froid, S.A.
Complete online Variance tutorial.

Book: Chapter 16 (Except Fixed Cost Variances on pp. 617-620 and appendix) and pp. 657-660, pp. 564-569


Session Focus: Use quantitative variance analysis to analyze a firm’s performance and compare the results of three divisions.

Assignment Questions:
1. What is your evaluation of each of the three businesses? What is your evaluation of the managers who run them?
2. Try to break out the strategic profitability variances for (at least) one of the businesses. The Italian division is probably the most straight-forward of the three. Please do a full variance analysis for this division.
3. Should the company motivate internal transfers between divisions? If so, how should the transfer be priced?

Class Session 12 (February 22): Using Information for Performance Measurement and Control
Case: Nordstrom: Dissension in the Ranks? (A)
Book: Chapter 12
Optional Practice Problems: 12-22, 12-28, 12-34

Session Focus: We will discuss individual performance measurement at Nordstrom.

Assignment Questions:
1. What is the cause of the problems described in the case? How serious are these problems?
2. How effective is the memo reproduced as Exhibit 3 in clarifying the distinction between “sell” and “non-sell” time?
3. With whom do you side: disgruntled employees or Nordstrom management?
4. How would you change management systems at Nordstrom?

Class Session 13 (February 27): Internal Controls
Case: Societe Generale (A): The Jerome Kerviel Affair
Book: pp. 471-472

Focus: We will discuss the difficulty that companies with complex and risky business models face when balancing internal controls and individual initiatives.

Assignment Questions:
1. What organizational factors led to the incident?
2. Who is to blame?
3. Is it possible to prevent such incidents? If yes, how?

Class Session 14 (March 1): Wrap-up and Review

Please bring your peer evaluations to class with you.

Final Exam: March 8, 9:30 – 12:30, Funger 103 (TENTATIVE – WAITING FOR CONFIRMATION)