

ACC 287.5 (FLEX-CORE)

PERFORMANCE MEASUREMENT AND CONTROL

Spring 2012, First quarter (10AM-NOON – 02595; NOON-2PM – 02605)

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Teaching Assistant TBA

Performance Management and Control is an accounting course, but it is emphatically NOT a course about annual reports and 10-Ks. Rather, it is a course for everyone who needs to know how accounting numbers are created and used inside of a company. We will discuss different aspects of how companies create their internal numbers, how they use those numbers to make decisions and measure the success or failure of those decisions, and how design of measurement systems and assumptions sometimes distort those numbers and can bias results against you. And we will use cases to illustrate these ideas.

This class most closely resembles a class generally called "Managerial Accounting." However, our development of the topics will take more of a "kanban" approach: I have designed the class around some key questions that managers must deal with, and we will pull tools into our discussion as needed.

Leadership and this Course

The Texas MBA program is designed to develop influential business leaders. The MBA Program has identified four fundamental and broad pillars of leadership: knowledge and understanding, communication and collaboration, responsibility and integrity, and a worldview of business and society.

As companies grow and mature, their managerial systems must also evolve so that plans can be developed and tracked, decisions made, and performance reliably measured, all in a manner that is consistent with the company's stage of growth. Organizations need leaders who can visualize, verbalize and implement these systems and this course aims to develop this knowledge and understanding.

Required Materials

Managerial Accounting: Creating Value in a Global Business Environment, 9th Ed, by Hilton and Platt, 2011.

Course packet containing cases.

Course Requirements and Grading

Your grade in the course will be determined as follows:

	<u>Weight</u>
Class Participation	20%
Application Presentation	20%
Exam	60%
Total	100%

The MBA Program Office advises that the appropriate final grade distribution for a Flex-Core course is as follows:

Α	25%
A-	20%
B+	15%
В	35%
B- or below	5%

Description of Requirements:

Class Participation – In this class, everyone is responsible for preparing every case and contributing to class discussion. For case questions, refer to the document posted on Blackboard/Assignments. Everyone should actively participate in the topic and case discussions, providing summaries of issues, analyses, recommendations, as well as sharing personal experiences related to the topic. I will cold call as a standard practice. After each class, I will make class participation notes, with particular attention to quality of comments, not quantity: one good comment every class or two will suffice to receive full credit for participation.

In general, we will try to observe the following pattern:

- Last half of one class: Discussion of new business question and related topics;
- Homework: Prepare case, review relevant sections of text, and do suggested problems;
- First half of next class: Discuss case;
- Second half of next class: Move on to next question and related topics.

Suggested Problems – Problems are suggested to direct your attention to certain textbook material and provide practice for certain accounting tools or techniques. Although often intuitive, you will not really "get" these calculations unless you stumble through them. These problems are not collected or graded, but solutions will be posted Blackboard/Assignments, and I am happy to go over them in office hours.

Application Presentation – During the last two classes, we will have presentations in which you will apply a class topic to a situation that you have encountered where a planning, operating, or control issue has arisen that can be addressed by internal accounting data. You will be randomly assigned to one of the two presentation days, and you are only required to attend the class in which you present.

Your application can come from any type of organization (e.g., for-profit, not-for-profit, government, etc.). It can be a professional or volunteer setting.

You will have 4 minutes for your presentation. Please support your presentation with Powerpoint slides; two to four slides is typical for a presentation of this length. Provide me one printed copy of your slides at the time of the presentation, and also email them to me before 8:00 a.m. on the day of your presentation (I will have them loaded on my laptop for your presentation).

I will assign grades (1-10) based on the following:

- Application relevant and interesting
- Class concepts well integrated
- Presentation well prepared
- Support slides helpful
- Overall impression.

Exam – The exam will be held in class on the designated flex-core exam day (generally Friday of the last class week) and timing is determined by the MBA office. It is likely to consist of problems, essay questions, and short answer questions. If the questions are based around a case of significant length, I will distribute it in advance The two-hour exam (shorter than the three-hour slot assigned) will be open-book/open-notes, and it will embrace all course content as covered in the assigned readings, suggested problems from the text, the cases, and class sessions. You are welcome to use a computer during the exam, but no internet connection will be allowed and anything you want me to grade must be written on the exam (partial credit can only be awarded if you provide solution details).

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this. Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects. Of the many aspects of professionalism please especially note my expectations regarding the following:

- You should <u>arrive on time</u>. On the rare occasions when you don't, please enter and set up quietly and join the discussion as quickly as possible.
- Turn off your phone. If you need to make or receive a call, quietly leave the room.
- You should always <u>display your name card</u>.
- You are expected to <u>attend the class section to which you are registered, but</u> exceptions are allowed and I would much rather you occasionally attend the other section than miss class.
 Prior approval from me is not required, but a quick word just before class begins is appreciated.
- Disagreement and debate are encouraged, however I expect you to be civil in all discussions.
- You may only use laptops with my prior permission. Generally they are not needed in this class.

Academic Dishonesty

I have <u>zero tolerance</u> for acts of academic dishonesty. Such acts damage the reputation of the school, dilute the value of the degree and demean the honest efforts of the majority of students. Any instance of academic dishonesty will be pursued and the outcome filed in your record in the Dean of Students' office. The penalty for an act of academic dishonesty will usually exceed a simple zero for that assignment and may include final grade reductions, failure for the course, or dismissal from the McCombs School of Business.

During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. The responsibilities of both students and faculty with regard to the Honor System are described at http://mba.mccombs.utexas.edu/students/academics/honor/index.asp. As the instructor for this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you agree to observe all student responsibilities.

Scholastic dishonesty includes, but is not limited to: copying tests or assignments, representing (copying) the work of another person as one's own or allowing another person to represent your work as their own, collaborating without authority with another student during an exam or in preparing academic work, and using or having on your desk unauthorized materials or aids to complete a quiz or exam. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ or the General Information catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512.471.6259.

ACC 287.5 Course Topic Summary

Planning

How are margin estimates used in the startup decision?

Gross margin, Contribution margin, Breakeven analysis, Sensitivity analysis

How do planning techniques help to avoid cash-flow emergencies?

Master budgeting, Cash budgeting, Planning assumptions

Is budgeting cost-effective as a management tool?

Strategic planning, "Beyond budgeting," Performance management and budgets

Operating

When should you drop an unprofitable product or service?

Cost assignment, Overhead cost avoidability

Is it ever ok to charge an existing product with the start-up costs of a new product?

Basic cost system design, Costs of capacity

Who says a product or service is unprofitable? And should you believe them?

Hierarchy of costs, Activity-based costing, Cost management

Which costs are relevant in making an outsourcing decision?

Relevant costs, Make or buy decisions

Should one part of a company ever profit at the expense of another part?

Transfer pricing

Controls

How can controls promote, not restrict, an entrepreneurial culture?

Strategic controls, Levers of control

Is it possible to predict future financial performance using today's operating performance?

Diagnostic controls, Balanced scorecard

Spring 2012 First Quarter Schedule

Wednesday, Jan 18

<u>Class Prep:</u> None

New Discussion Question How are margin estimates used in the startup decision?

Monday, Jan 23

Class Prep:

Text Reading Chapter 1 (skim for context), Chapter 2

Suggested Problems 2-24, 2-28, 2-29, 2-39 (all Solutions on Blackboard)

Case Prep Caribbean Internet Cafe

New Discussion Question How do planning techniques help to avoid cash-flow emergencies?

Wednesday, Jan 25

Class Prep:

Text Reading Chapter 9
Suggested Problems 9-28, 9-32, 9-34
Case Prep Hanson Ski

New Discussion Question Is budgeting cost-effective as a management tool?

Monday, Jan 30

Class Prep:

Text Reading Jensen, "Paying People to Lie" (read secs 1 & 4, skim rest), EFM

Suggested Problems 9-42

Case Prep Codman & Shurtleff

New Discussion Question When should you drop an unprofitable product or service?

Wednesday, Feb 1

Class Prep:

Text Reading Chapter 3

Suggested Problems 3-28, 3-32, 3-34, 3-35 Case Prep Bridgeton Industries

New Discussion Question Is it ever ok to charge an existing product with the start-up costs of

a new product?

Monday, Feb 6

Class Prep:

Text Reading Cooper and Kaplan, The Design of Cost Management Systems,

"Chapter 3: Assigning the Expenses of Capacity Resources"

Suggested Problems 3-47

Case Prep Seligram ETO

New Discussion Question Who says a product or service is unprofitable? And should you

believe them?

Wednesday, Feb 8

Class Prep:

Text Reading Chapter 5

Suggested Problems 5-26, 5-27, 5-28, 5-29, 5-46

Case Prep Siemens EMW

New Discussion Question Which costs are relevant in making an outsourcing decision?

Monday, Feb 13

Class Prep:

Text Reading Chapter 7

Suggested Problems 7-25, 7-28, 7-29, 7-33, 7-42

Case Prep Garden Patch Foods

New Discussion Question Should one part of a company ever profit at the expense of another

part?

Wednesday, Feb 15

Class Prep:

Text Reading Chapter 13 (pp. 597-606)
Suggested Problems 13-35, 13-46, 13-48
Case Prep Compagnie du Froid

New Discussion Question How can controls promote, not restrict, an entrepreneurial culture?

Monday, Feb 20

Class Prep:

Text Reading Simons, "Control in an Age of Empowerment," HBR

Kirby, "The Cost Center That Paid Its Way," HBR

Suggested Problems None

Case Prep Automation Consulting

New Discussion Question Is it possible to predict future financial performance using today's

operating performance?

Wednesday, Feb 22

Class Prep:

Text Reading Chapter 10 (pp. 461-467); Chapter 13 (pp. 580-597)

Suggested Problems 13-24, 13-25, 13-26, 13-42, 13-43
Case Prep Citibank Performance Evaluation

New Discussion Question None

Monday, Feb 27 Application Presentations

Wednesday, Feb 29 Application Presentations

Exam Date Course Exam