ACC 287.5 (FLEX-CORE)
PERFORMANCE MANAGEMENT AND CONTROL

SPRING 2014 – JANUARY 13TH THROUGH FEBRUARY 27TH

Professor	Michael Williamson
Office	CBA 4M.228
Office Hours	Monday and Wednesday from 2:30pm until 3:30pm or by appointment
Phone	512-471-5529
E-Mail	Michael.Williamson@mccombs.utexas.edu
Course Web Page	via Blackboard (courses.utexas.edu)

Course Objectives

Performance Management and Control equips managers with accounting information and tools they need to plan and control (evaluate) personnel and operations of the firm. This course provides a framework that facilitates a better understanding of when and why managers need specific types of accounting information to both facilitate their decisions and influence the decisions of their employees. Utilizing business cases, we then apply this framework in addressing important operational and strategic decisions faced by managers and their employees. The course is loosely divided into two topics: (1) performance management information systems, and (2) management control systems. Each topic is briefly described below.

Performance Management Information Systems:
Performance management information systems provide information about the benefits and costs of the goods and services sold by the firm to help facilitate the short-term operational and long-term strategic decisions of managers. We will start by discussing and applying principles which will guide our evaluation and design of performance management information systems. Next, we will observe that financial accounting systems require that information be accumulated in particular ways for external reporting which are often not helpful for performance management decisions. Thus, we will learn techniques to enhance the usefulness of financial accounting and other information for these decisions. Moreover, we will apply these techniques to facilitate short-term operational and long-term strategic decisions.

Managerial Control Systems:
The second half of the course covers the use of accounting information in the control and coordination of individuals and organizational units. During this half of the course, we will explicitly recognize that individuals respond to methods used to evaluate and reward their performance. The purpose of the second half of the course is to identify systems that have widespread use, examine the motivation and theoretical underpinnings for that use, and identify how and when the misuse of these systems leads to dysfunctional outcomes for the firm. In doing so, we will consider both financial and non-financial measures of performance.

Required Materials

Textbook: Managerial Accounting, 2nd Edition, by Balakrishnan, Sivaramakrishnan, and Sprinkle, (John Wiley & Sons, Inc., 2012). However, feel free to purchase the 1st edition of the book.

Course pack: Contains all business cases required for the course and can be purchased in McCombs' UT Copy Center.

Course Requirements and Grading

Your grade in the course will be determined as follows:

	Points
In-Class Contribution	30
Application Presentation	20
Final	50
	100

The MBA Program Office advises that an appropriate grade point average for a flex core course is approximately 3.42. The recommended distribution of grades is as follows: 25% receive an A, 20% receive an A-, 15% receive a B+, 35% receive a B, and 5% receive a B- or below.

Description of Requirements

In-Class Contribution: Class discussions will primarily focus on business cases describing an important decision you have faced or likely will face in your career. To enhance the learning environment, everyone should actively participate in the class discussions, providing summaries of issues, analyses, recommendations, and sharing personal experiences related to the course topics. My role is primarily to facilitate your analysis and discussion. I will cold call as a standard practice. After each class, I will make class participation notes, with particular attention to the quality of comments, not the quantity. Moreover, I reserve the right to administer short quizzes to gauge class preparation levels and factor quiz performance into this grade.

Being an active participant in class discussions requires preparation of the case and reading assignments. Moreover, to facilitate your preparation, I will provide several questions about each case that will serve as important points of discussion during the class. Please spend time answering each question and working through any analyses needed to support your answer.

Often, an assigned case will represent your first exposure to a particular issue or problem. Moreover, you will find that many of the important performance management and control problems we address are both difficult and lacking clear-cut or “correct” solutions. Do not let this discourage you! Past experience and feedback from prior years suggest that developing answers to case questions before the class discussion greatly enhances the learning process about the materials.

To further enhance your learning, I will suggest a couple of textbook problems for most class days. These problems are suggested to direct your attention to certain textbook material and provide practice for certain accounting tools and techniques. Although often intuitive, you will not really “get” these calculations unless you stumble through them on your own. These problems are not collected or graded, but solutions are posted on Blackboard/Assignments, and I am happy to go over them with you during office hours.

Application Presentation: This assignment allows the class to learn how the course topics can be applied across a broad spectrum of environments and situations. I will assign everyone to a group of two to three members. During the last day of class, your group will make a short presentation. The purpose of the presentation is to teach the class how a course topic was or should have been applied to a situation encountered by one of your group members. Your group’s 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.

Your group will present for approximately ten minutes. Please support your presentation with slides. Please e-mail your slides to me before 8am on the day of the presentation so that I can load them on my laptop for you.

I will assign all group members the same grade which will be based on my own observations, the observations of teaching assistants, and evaluations from the class based on the following performance metrics:

- Application interesting and relevant to the class (i.e., did you teach something interesting?)
- Material clearly communicated

Exam: The exam will be held on February 27th from 6:00pm until 9:00pm. The exam will be individually-completed. You may bring one 8.5" ×11" sheet of your own notes (both sides) and a calculator to the exam. The exam will embrace all course content as covered in the assigned chapters from the textbook, suggested problems from the text, the cases, and class sessions. The exam will likely consist of multiple choice, problems, essay questions, and short answer questions. Medical emergencies and family emergencies are the only valid reasons for missing the exam. In such instances, you must provide supporting documentation (e.g., signed note from your physician) and a make-up exam will be given.

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.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

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. By helping ensure you and the people you lead have the appropriate information and the right incentives to make value-increasing decisions, this course enhances your knowledge and understanding of how to manage and lead an organization. In doing so, this course highlights how accounting information works together with the integrity and personal responsibilities of team members to overcome a fundamental difficulty of collaborative decision making (i.e., team members often do not have the same incentives and objectives). You will also further enhance your collaboration and communication skills by working with a small group to develop a short classroom presentation. Finally, you will apply this knowledge by developing and communicating solutions to "real world" cases that span domestic and international companies across a multitude of industries.

Academic Dishonesty

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on http://mba.mccombs.utexas.edu/students/academics/honor/index.asp and on the final pages of this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. 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.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at http://deanofstudents.utexas.edu/ssd/index.php. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

Schedule

January 13	Using Accounting Information for Decision Making
Learning Objective	We will discuss a framework for making business decisions and talk about the primary roles of accounting within this framework. We will learn principles that will guide the determination as to the specific costs and benefits to incorporate into our decision frameworks. We will apply this framework in the context of a short horizon decision.
Application Question	When should we accept a one-time (special) order from a customer?
Text Reading	Chapter 1 (pages 4-15) *[1st Edition: pages 4-15]* Chapter 2 (pages 44-54) *[1st Edition: 42-53]*
Suggested Problems	2.35; 2.47 (part b) *[1st Edition: 2.32; 2.45 (part b)]*
Case	Precision Worldwide

January 15	Techniques for Estimating Fixed and Variable Costs
Learning Objective	We will observe that financial accounting systems require that information be accumulated in particular ways for external reporting which is often not helpful for performance management and control decisions. We will learn how regression analysis can be used to increase the decision usefulness of this information.
Application Question	Does our proposed new venture have a cost structure that will allow it to compete effectively?
Text Reading	Chapter 3 (pages 78-79; 83-94) *[1st Edition: 76-77; 81-92]* Chapter 4 (pages 116-120; 126-129) *[1st Edition: 112-116; 123-125]*
Suggested Problems	3.57; 4.67 (part a; b; d use regression instead of high-low) *[1st Edition: 3.52; 4.62 part a; b; d use regression instead of high-low]*
Case	Delta's New Song

January 22	Cost Allocations
Learning Objective	We will understand the general steps required to perform cost allocations and understand the role of cost allocations in making long-horizon strategic decisions.
Application Question	Should we discontinue a product or service?
Text Reading	Chapter 9 (pages 362-370) *[1st Edition: 356-364]*
Suggested Problems	9.57; 9.69 *[1st Edition: 9.51; 9.63]*
Case	Bridgeton Industries

January 24	Activity-Based-Costing
Learning Objective	We will learn about Activity-Based-Costing, a specific methodology for using cost allocations to make long-horizon strategic decisions.
Application Question	What costs should we consider when pricing our products and services?
Text Reading	Chapter 10 (pages 410-423 & page 430) *[1st Edition: 401-416 & 422]*
Suggested Problems	10.68; 10.70 *[1st Edition: 10.57; 10.59]*
Case	John Deere Component Works (A) and (B)

January 27	Activity-Based-Management
Learning Objective	We will discuss how activity-based pricing can help companies promote their value to customers.
Application Question	How can we ensure that our customers pay for the valuable services we provide to them?
Text Reading	Chapter 10 (Pages 424-428) *[1st Edition:416-420]*
Suggested Problems	10.72 *[1st Edition: 10.62]*
Case	Owens and Minor

January 29	Performance Management Information Systems Capstone
Learning Objective	We will observe how performance management information systems support the strategic objectives of the organization and evolve as these strategic objectives change. In doing so, we will have the opportunity to review topics from the first half of the course.
Application Question	Should customer profitability determine the level of service offered?
Text Reading	N/A
Suggested Problems	N/A
Case	Understanding Customer Profitability at Charles Schwab

February 3	The Budgeting Process
Learning Objective	We will understand the role budgeting plays in developing a comprehensive formal plan for operational and strategic decision making as well as serving as a basis for evaluating and rewarding employees. We will also discuss the challenges of incorporating the best information into budgets.
Application Question	How should we allocate our organization's scarce resources across a diverse portfolio of products and services?
Text Reading	Chapter 7 (pages 262-288) *[1st Edition:254-280]*
Suggested Problems	7.41; 7.42; 7.43; 7.44; 7.57 *[1st Edition:7.39; 7.40; 7.41; 7.42; 7.54]*
Case	Codman & Shurtleff

February 5	Performance Evaluation and Reward Systems
Learning Objective	We discuss the inherent conflicts of interests between employers and employees and the key functions that performance-evaluation and reward systems play in mitigating these conflicts.
Application Question	How can we design incentive systems to promote employee innovation?
Text Reading	Chapter 8 (Pages 312-332) *[1st Edition:306-333]*
Suggested Problems	7.68; 8.44 *[1st Edition:7.65; 8.43]*
Case	Employee Gainsharing at John Deere

February 10	Variance Analysis
Learning Objective	We will learn the mechanics of variance analysis and the benefits and costs of using variance analysis for organizational control. We will also describe common responsibility centers and discuss transfer pricing issues when responsibility centers are involved in intraorganizational transactions.
Application Question	When evaluating and rewarding performance, should you hold employees accountable for factors outside of their immediate control?
Text Reading	Chapter 12 (502-521) *[1st Edition:490-509]*
Suggested Problems	8.36; 8.53; 12.60 *[1st Edition: 8.34; 8.52; see footnote below[1]]*
Case	Compaigne du Froid

[1] *Raja, a manager in Shalimar Paints, manages a plant that supplies containers to the firm's various pain divisions. While his practical capacity is 1.2 million cans per month, he only produces what is ordered by the paint divisions. Currently, he supplies 900,000 cans per month. His variable and fixed costs, respectively, are $450,000 and $1,080,000 per month. The market price is $1.50 per can. For strategic reasons, upper management has decided that Shalimar will not outsource container production. A). Should Raja's plant be evaluated as a profit center or as a cost center? B). Suppose Raja's plant is evaluated as accost center. Should a full-cost transfer price be based on practical capacity or actual capacity used? C). What transfer pricing scheme do you suggest?*

February 12	Performance Evaluation in Decentralized Organizations
Learning Objective	When designing performance evaluation and reward systems, we will discuss the importance of balancing the three legs of the control stool (decision-making authority, performance measurement, and rewards/punishments).
Application Question	How can we help ensure that our acquisitions achieve the overall strategic objectives of our organization?
Text Reading	N/A
Suggested Problems	12.51; 12.52 *[1st Edition:12.45; 12.46]*
Case	ATH MicroTechnologies: Making the Numbers

February 17	Strategic Planning and Control
Learning Objective	We will discuss the role the Balanced Scorecard methodology can play in implementing an organization's strategy.
Application Question	Can a socially responsible strategy promote shareholder value?
Text Reading	Chapter 13 (Pages 548-569) *[1st Edition:534-555]*
Suggested Problems	13.61; 13.49 *[1st Edition:13.61; 13.49]*
Case	Transworld Auto Parts

February 19	Strategic Planning and Control
Learning Objective	We will discuss the benefits and costs of tracking and analyzing financial and non-financial performance metrics in order to track the effectiveness of an organization's strategy.
Application Question	How can we direct a highly diversified organization through a tumultuous environment?
Text Reading	N/A
Suggested Problems	N/A
Case	China Resources Corporation

February 24	In-Class Group Presentations

February 26	In-Class Group Presentations

February 27	Final Exam