

ACC 381N (1st Half) Managerial Accounting

FALL 2012

Professor David E. Platt, Ph.D., CPA

Office CBA 2.416

Phone 512.471.3518 (office)

E-Mail david.platt@mccombs.utexas.edu **Course Web Page** via Blackboard (courses.utexas.edu)

This is an accounting course, but it is emphatically NOT a course about annual reports and 10-Ks. Rather, it is about 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.

I have designed the class around some key questions that managers must deal with, and we will pull tools into our discussions as needed (and as indicated below)

Required Materials

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

Course packet containing cases and other readings.

Course Requirements and Grading

This course is administratively one-half of a full course of record. Your grade in the course will be an equally-weighted combination of your grades in the two halves.

Class Participation 25% Exam 75%

Description of Requirements:

Class Participation – 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 if necessary, but I much prefer a more voluntary give-and-take and I hope you will help to support that environment with your contributions. We also will work some problems in class. For appropriate preparation, see the section on "Suggested Problems" below. After each class, I will make class participation notes, with particular attention to quality of comments, not quantity.

Attendance – I understand that you all have busy professional and personal lives. But we have only five classes together, aside from the exam. Missing class unavoidably affects your participation grade. If you miss three or more classes (i.e. over 50% of our time together!), you cannot pass my half of the course.

Suggested Problems – Problems are recommended 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. If you need help with a homework problem, please email me. Either we'll sort things out by email or we can set up a time to talk.

Examination – The two-hour course examination will be given in our last class together (see schedule below). 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 exam will be open-book/open-notes, and it will embrace all course content as covered in the assigned readings, suggested problems, 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 (for partial problem credit you must provide solution details).

Academic Dishonesty

Cheating is an insult to your fellow students and to this learning experience. I always report it, and I go for the maximum penalty possible. Always. Don't do it. You'll feel bad even if you get away with it, and really, this isn't about the grade anyway, is it?

Official policy: The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to the Honor System have been described to you by the Texas EMBA staff. These standards are essential not only to the maintenance of the academic integrity of the program but also its brand equity, an important part of its value to all graduates. You must clarify any points of confusion or uncertainty with the professor in advance. For more information on scholastic dishonesty at the University of Texas at Austin, please contact the professor or program staff, or visit deanofstudents.utexas.edu/sjs.

ACC 381N EMBA Managerial Accounting Course Topic Summary

Planning

How are margin estimates used in the startup decision?

Gross margin, Contribution margin, Breakeven analysis

Is budgeting (cost) effective as a management tool?

Strategic planning, Cash budgeting, Planning assumptions, Performance management and budgets

Operating

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

Cost assignment techniques, Basic cost system design

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

Hierarchy of costs, Activity-based costing, Cost management, Costs of capacity

How do we manage the trade-off between fixed and variable costs?

Cost-volume-profit (CVP) analysis, Margin with constrained capacity, Operating leverage

Which costs are relevant to a business expansion decision?

Relevant and sunk costs, Make or buy decisions, Opportunity costs, Intangible factors

Controls

What role should financial variances play in performance management?

Budget-actual comparisons, Variance analysis, Flexible budgets

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

Transfer pricing, Comparing division performance

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?

Performance analysis, Balanced scorecard

Fall 2012 Schedule

CLASS 1: August 16	
Discussion Question 1	How are margin estimates used in the startup decision?
Text Reading	Chapter 2
Suggested Problems	2-28 (all Solutions on Blackboard)
Case Prep	Caribbean Internet Cafe
Discussion Question 2	Is budgeting (cost) effective as a management tool?
Text Reading	Chapter 9
Other Reading	Jensen, "Paying People to Lie," <i>EFM</i> Hope and Fraser, "Who Needs Budgets?" <i>HBR</i>
Suggested Problems	9-28, 9-32, 9-34, 9-42
Case Prep	Hanson Ski Codman & Shurtleff

CLASS 2: August 17	
Discussion Question 3	Is it ever ok to charge an existing product with the start-up costs of a new product?
Text Reading	Chapter 3
Other Reading	Hesser, "Why Wine Costs What it Does," NYT
Suggested Problems	3-28, 3-32, 3-34, 3-35
Case Prep	Seligram ETO
Discussion Question 4	Who says a product or service is unprofitable? And should you believe them?
Discussion Question 4 Text Reading	
	believe them?
Text Reading	believe them? Chapter 5 Cooper and Kaplan, <i>The Design of Cost Management Systems</i> ,

CLASS 3: August 31	
Discussion Question 5	How do we manage the trade-off between fixed and variable costs?
Text Reading	Chapter 7 (pp. 308-332 and Appendix)
Suggested Problems	7-25, 7-28, 7-29, 7-33, 7-42
Case Prep	Bill French, Accountant
Discussion Question 6	Which costs are relevant to a business expansion decision?
Text Reading	Chapter 14 (pp. 624-641 and "Decisions Involving Limited Resources" on pp. 643-645)
	McCartney, "How Airlines Spend Your Airfare," WSJ
Suggested Problems	14-33, 14-44, 14-46, 14-47
Case Prep	Baldwin Bicycle

CLASS 4: September 1	
Discussion Question 7	What role should financial variances play in performance management?
Text Reading	Chapter 10 (pp. 438-448, 461-467), Chapter 11 (pp. 492-507)
Suggested Problems	10-42, 10-46, 11-35, 11-43
Case Prep	Berkshire Toy
Discussion Question 8	Should one part of a company ever profit at the expense of another part?
Text Reading	Chapter 13 (pp. 597-606)
Suggested Problems	13-35, 13-46, 13-48
Case Prep	Compagnie du Froid

CLASS 5: September 15	
Discussion Question 9	How can controls promote, not restrict, an entrepreneurial culture?
Other Reading	Simons, "Control in an Age of Empowerment," <i>HBR</i> Kirby, "The Cost Center That Paid Its Way," <i>HBR</i>
Suggested Problems	None
Case Prep	Automation Consulting
Discussion Question 10	Is it possible to predict future financial performance using today's operating performance?
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

EXAM: September 28 Exam 1:30-3:30 p.m., followed by first two hours of FSA