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


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.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>25%</td>
</tr>
<tr>
<td>Exam</td>
<td>75%</td>
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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,” *EFM*

**Suggested Problems**  9-28, 9-32, 9-34, 9-42

**Case Prep**  Hanson Ski

### 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?

**Text Reading**  Chapter 5

**Other Reading**  Cooper and Kaplan, *The Design of Cost Management Systems*, “Chapter 3: Assigning the Expenses of Capacity Resources”

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

**Case Prep**  Siemens EMW

### 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)

**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,” HBR
Kirby, “The Cost Center That Paid Its Way,” HBR

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

Case Prep
Citibank Performance Evaluation

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