




The University of Illinois  
at Chicago

Actg 506  
Fall 2000

Instructor: Ram T. S. Ramakrishnan

 996-3270


<http://www.uic.edu/classes/actg/actg594/>


Class: Tuesdays 6:00 to 8:45


2301, University Hall

<http://www.uic.edu/~rramakri/>

Office Hours: Mon and Tue 1:00 - 4:00

**Required Text:**  Cost Accounting - A Managerial Emphasis, 10th Edition (1999) by Charles T. Horngren, George Foster, Srikant M. Datar; Prentice - Hall

**Recommended**  Student Guide and Review Manual

**Course Material**  All the course materials: Cases, Readings, Old exam questions and answers, Homework solutions are in the course WEB Page.

<http://www.uic.edu/classes/actg/actg594/>

Management accounting relates to information for decision-making, and is different from external financial reporting for the most part. We will discuss the different formats used by "internal" accounting information systems to provide information to managers, and how you would adapt this information to make decisions.

The course requires you to integrate the concepts and issues you have studied in other core courses, especially finance, marketing, managerial economics, and financial accounting. Some of the topics include: Activity Based Costing; Budgeting; Pricing Analysis; Contribution and Profit Margin Analysis; Profit Centers and Transfer Prices; Investment Centers and Rate of Return Analysis; Economic Value Added (EVA) Analysis and; Divisional and Product Line Performance Evaluation. Management Accounting is a required core course in many MBA programs. This course is essential if you are interested in careers in marketing, any type of consulting, acquisitions, corporate analysis, corporate finance or of course accounting.


The three main objectives of this course are:

- 1 Identifying manufacturing costs for external reporting (value of inventory and COGS) and for regulated pricing.
- 2 Using accounting information to make pricing, outsourcing and investment decisions.
- 3 Designing and analyzing performance evaluation and control systems.

### Session Guide

All the materials for the course are in the WEB. Most of them are in PDF form. To be able to print the materials in the format that I intended, you need two fonts: Georgia and Verdana. If you do not have them (check the PC you will be working on) download them from the course web site and install them.

For each session, the dates are provided first and the topics to be discussed are listed next. The reading identifies pages from the text that should be skimmed before you come to class and before you attempt any problems. The example cases listed as Class Discussion will be discussed in each class; the solutions will be posted after class. The homework problems provide examples of the type of questions you should be able to answer once you have understood the material. Solutions to all homework problems are already posted in the WEB. You can attempt as many of these problems as time permits. There are also some review problems for each topic posted along with the solutions.

<b>Course Requirements:</b>		Midterm Examination:	25%
Research (Internet)	5%	Final Examination:	45%
Presentation/Paper	5%	Cases (Four / Five):	20% Marked as 

Research (Internet) involves the analysis of management accounting issues in some firms and you need to collect and analyze data that is available from the firms. Nine cases are posted and you need to submit at least five. Due dates are posted on the web.

Presentation/Paper: You need to pick a topic and produce a ten minute presentation and a four page report by the end of the last class of the course. Details are posted in the web.




Sample midterm and final exams are posted in the web and the exams will open book/notes.



The last component of the grade relates to five cases that you have to submit, marked as hand with pen symbol in the schedule - case assignments that have to be turned in . Your analysis of the cases are due at the beginning of the class (keep a copy of your report for the class discussion). Late assignments will not be accepted. They are more comprehensive than the homework problems, and they will also be discussed in assigned class; one possible analysis of the case will be posted after(!) we discuss the case in the class.

I reserve the right to increase the course grade for students with an overall score just below the cutoffs

### Class schedule

1	21-Aug Tuesday	<b>Uses of management accounting information:</b> For decisions about inputs, outputs; (sourcing, pricing etc.) For cost accounting in reporting, taxes and reimbursements. For performance evaluation in responsibility centers; (profit / investment centers) Contrast with accounting for external reporting. Reading: Chapter 1 Class discussion: Auto Costs
2	28-Aug Tuesday	<b>Cost analysis and competitive strategy</b> Costing systems Reading: Chapter 2, pages 28-34 and Chapter 4, pages 96-104 Class discussion: Tipografia Stanca S.p.A.
3	4-Sep Tuesday	<b>Cost terms and purposes:</b> Product costs Organization segments, Job order costing; Cost accounting systems; Normal costing; Manufacturing vs. nonmanufacturing costs; Accounting statements. Reading: Chapter 2 pages 35-44, Chapter 4 pages 104-119 Class discussion: The Cape Company Homework: Chapter 2-29, 30,36,37; Chapter 4-26,27,28,30,36

4	11-Sep Tuesday	<p><b>Cost-Volume-Profit Analysis</b></p> <p>Break-even analysis; Multi product analysis. Contribution Analysis; Tax effects.</p> <p>Reading: Chapter 3</p> <p>Case: Titanic</p> <p>Homework: The Media Business The Rolling Stones, Rocky IX 03 - 28, 30, 35,36,37,38, 40,42, 44</p>	210801	
5	18-Sep Tuesday	<p><b>Activity based costing (ABC)</b></p> <p>Cost drivers for like pools. Cost pools determination. Pricing based on fully allocated costs, target costing; Cross subsidization.</p> <p>Reading: Chapter 5</p> <p>Class discussion: FS Supermarkets, Pen Factory</p> <p>Homework: 5-23, 24, 27, 28, 32, 36, 38</p>		
6	25-Sep Tue	<p>Case: Geneva</p> <p><b>Pricing decisions, product profitability and Cost Management</b></p> <p>Long term average full costs needed for pricing. Strategic cost analysis. Markup based on expected returns on investment. Definitions and accounting methods for measurement of cost and investment. Links to marketing and strategy; Costs not driven by volume.</p> <p>Reading: Chapter 12 only pages 422-438</p> <p>Class discussion: Sage Paints</p> <p>Homework: Chapter 12- 22, 26, 27, 32, 33, 34</p>		
7	2-Oct Tuesday	<p><b>Introduction to Budgeting</b></p> <p>Strategic / project / operational planning.; Budgetary process; Marketing and production plans.; Cash budget and focus on sales / receivable; Production cost budget projections; Managerial incentives.</p> <p>Reading: Chapter 6 including appendix</p> <p>Class discussion: Reilly Company</p> <p>Homework: Chapter 06-35,37,38</p>		
8	9-Oct Tuesday	<p><b>Budgeting - II</b></p> <p>Case: Marshall &amp; McVeigh</p>		
9	16-Oct Tuesday	<p><b>Mid-Term Examinator</b> Open Book and Notes</p>		

10	23-Oct Tuesday	<p><b>Responsibility accounting and Decentralization</b></p> <p>Incentives and Agency Theory; Risk and Motivation.  Reading: Chapter 22 pages 788-793; Chapter 23 pages 837-840  Class discussion: Leban 3  Homework: Avitel, 23-20,26,27</p> <p><b>Capital Budgeting and Cost Analysis</b></p> <p>Reading: Chapter 21  Class discussion: Victoria, National Bund  Homework: 21-31,32,35</p>	210801
11	30-Oct Tuesday	<p><b>Profit centers and Transfer prices</b></p> <p>Motivation for transfer prices. Market based prices. Negotiations and information.  Reading: Chapter 22  Class discussion: Hale Company  Homework: 22-27,28,33, 36</p>	
12	6-Nov Tuesday	<p><b>Business - Case</b></p> <p>Case: AmBank</p>	
13	13-Nov Tuesday	<p><b>Performance evaluation and investment centers - I</b></p> <p>Residual income and return on investment. Measurement and definitions of investment Goal congruence and managerial myopia  Incentive plans based on accounting methods and numbers; Profit sharing; teamwork; peer review Executive compensation plans.  Reading: Chapter 23  Class discussion: Baksar Company, Ohrcart  Homework: 23-21,22,31 to 34,36</p>	
14	20-Nov Tuesday	<p><b>Performance evaluation and investment centers - II</b></p> <p>Return on equity; Cost of capital; residual income; Return on Investment.  Case: Wellesley</p>	
15	27-Nov Tuesday	<p><b>Review</b></p>	
16	4-Dec Tuesday	<p><b>Final Examination</b></p> <p>Open Book and Notes; Not cumulative</p>	