

**Boston College**  
**Carroll School of Management**  
**Syllabus- MA 307**  
**Fall 2006**

**Course:** Managerial Cost Analysis  
MA 307  
**Office:** Fulton Hall 528C

**Instructor:** Jeffrey Cohen  
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**Office Hours:** Wednesday; 12:45-2:45. Other hours are available by appointment. Please do not be offended if other obligations prevent me from meeting with you if you drop in without an appointment. I am sure that we can arrange another time to meet that will be convenient for both of us. I also strongly urge you to communicate at any point via email.

**Course**

**Objectives:**

The major objective of this course is for you to gain confidence in understanding and critically evaluating the assumptions and conventional wisdom about management and cost accounting. An emphasis will be placed on student involvement and initiative. In business, accounting systems are responsible for generating and using vital information concerning the firm's well being. Although debits and credits will be reviewed in the course, it will play a minor role in the evaluation of your grade. Instead, an approach will be taken that emphasizes strategic cost management and analysis. We will also examine the decision usefulness of accounting information in light of a firm's value chain and we will evaluate the impact of accounting information on people's behavior. The course is designed to develop in students an understanding of the judgmental issues faced in providing and using management accounting techniques and to cultivate the ability to apply underlying concepts to solving these judgmental issues. We will also take an international perspective by contrasting systems to those found in other countries and cultures.

As students in a Jesuit university, we are morally obligated to examine how our actions may affect others. The recent spate of accounting related scandals has only heightened the need to remember that one of the major principles of the Accounting profession is to act in the "Public Interest." Therefore, ethical issues, such as pressures to overstate forecasts or ROI, will be examined whenever possible within each major topic. Formal ethical analysis, as well as ethical sensitivity, will be the goal of all ethics discussions. At the end of the course, you will be expected to integrate knowledge across topics and across different disciplines.

**Books:** Blocher, Chen and Lin. *Cost Management: A Strategic Emphasis*. Irwin McGraw-Hill, Customized edition.

Reading Packet

**Readings**

**and Cases:** Articles will be distributed in class as well as emailed from the Web. These articles are intended to complement the textbook by presenting either behavioral, ethical, international, or current state of the art perspectives. Cases will be used to emphasize the "real world". Communication is a two-way street, thus you should also work on developing the ability to read and understand the professional literature related to accounting. While not required you should consider reading general news and financial publications (e. g., The New York Times, The Economist) and specialized accounting publications (e. g., the Journal of Accountancy, the CPA Journal, Strategic Finance).

**Technology:** I expect a working knowledge of spreadsheet skills learned in prior courses. For example, I expect budgeting problems to be solved through the use of spreadsheets. I urge you to become proficient in searching and downloading relevant information from the Net. Students are encouraged to find relevant articles from the Internet that may be shared with the class.

**Exams:** The two exams will involve problems with related conceptual essays and real world cases. No multiple-choice questions will ever be given. To encourage creative exams and creative learning, students will be allowed one page of notes with each exam. Learning to learn on your own and not memorization is what you should be doing in the course.

**Homework:** Homework will be used as a basis for class discussion. Please attempt all homework problems **before** class. Group work on homework is strongly encouraged. There will be a number of cases used to illustrate the material. Be forewarned, cold calling will be in effect. No class participation credit will be given unless a student attempts virtually all homework before class. An honor code will be in effect.

**Cases:** Worth 33 and 1/3% of final grade.

Accounting is communication; thus you should be as proficient at communication as you are at debits and credits. What this requires however, is that we continually strive to enhance our communication skills. Since the only way to enhance these skills is to practice them, you will have an opportunity to do so in this class with a number of cases. There will be four (depending on time constraints) formal cases assigned throughout the course. Additional cases will be used to illustrate the material. The write up for all the cases should be **approximately** five to seven pages (excluding tables and references). Groups will be randomly called upon to help present the facts and participate in role-playing. Since teamwork and cooperation are important, all cases must be done by groups of four people only (the only exception will be to place the extra class members). I strongly encourage diversity in the composition of the groups. If this is not achieved, I will randomly assign students to groups. All cases will be handed back within two class sessions. To prevent slackers and free riders, group members can expel nonperformers from a group. Students will have input at the end of the semester for honest and anonymous feedback on group members. This required feedback will affect the case grade on the margin-e. g., the very best and the very worst could have their case grade adjusted. The last case will be completed individually.

**Grading:**

Exams	2/3
Cases	<u>1/3</u>
	100%

Up to two participants, defined in terms of **both** quality and quantity, will be exempt from the last case and will receive an “A” in the course. I will also exempt for **extraordinary** participation from the final case a **maximum** of an additional 20 % of the class who will receive an “A” for the final case

**Exams:**

Each exam will cover a discrete part of the course and will not be cumulative

**Feedback:**

This is **your** class. The communication and feedback should be two-way between the class and the instructor. To facilitate this feedback, I would like to have a vehicle for continual anonymous feedback and to develop and distribute a mid-semester formal feedback questionnaire. I would thus like you to attempt once a month to email me your assessment of the following three questions: (1) What was the most significant thing you learned this month? (2) What question is uppermost in your mind at the end of the month’s sessions? (3) What is the muddiest point I attempted to teach this month? By answering these questions, you will help me stay in touch with the pulse of the class. I will also distribute a mid-semester feedback form. The presence of monthly feedback, however, does not preclude any student from coming to me individually with concerns or thoughts on the course.

## Homework Problems and Cases from Blocher, Chen and Lin

Date due to be announced before each class. Homework must be attempted **before** class. To facilitate preparedness, cold calling will be in effect. Group work is strongly encouraged.

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Approximate Date	Problems and Cases
September 6	1-20, 1-27, 1-29, 2-22
September 13	2-34, 2-38, 16-46, 16-50, 16-52, 3-30, 3-36,
September 20	3-44, 4-32, 4-34, 4-37
September 27	Review process costing handout, 11-19, 11-26, 11-33, 11-39
October 4	5-35, 5-36, 5-40, 5-50
October 11	<b>EXAM</b>
October 18	12-12, 12-13, 12-18
October 25	7-19, 7-28, 7-38, 9-28, 9-38
November 1	8-23, 8-34, 8-44
November 8	13-20, 13-32, 13-33, 13-50, 13-60
November 15	14-33, 14-46, 17-18, 17-22, 17-24
November 29	Exam 2
December 6	Ethics cases

## Course Schedule and Reading Lists

**Note:** Discussion Questions are meant to provide you with some guideline in reviewing the material. I recommend trying to answer these questions, as they are typical of my essay exam questions. The objective in reviewing the readings is to get the major themes of the articles and not the miniscule details.

Date	Chapter and Topic (from Blocher, Chen and Lin)	DQ- Discussion Question	Additional Required Readings Assignments (To be distributed)
September 6	<p><b>Section 1 of Course: Introduction to Strategic Cost Management</b> (Ch's 1, 2&amp;16)            Ch. 1, "Cost Management and Strategy: An Overview,"            Ch. 2 "Implementing Strategy: The Balanced Scorecard and the Value Chain"</p>	<p>DQ-            How is strategic cost management different than cost accounting?            How should globalization affect the design of management control systems?</p>	<p>1. Jane Mayer, "The Accountants' War," <b>New Yorker</b>, April 29, 2002.</p>
September 13	<p>Ch.16 "Total Quality Management" skip 698-703            Ch. 3 " Basic Cost Concepts"</p>	<p>DQ-Why should accountants worry about the strategic implications of their work?            How can the Balanced Scorecard help improve quality?</p>	<p><b>1</b> H. Thomas Johnson and Robert S. Kaplan, <i>The Rise and Fall of Management Accounting</i>, <b>Management Accounting</b> January 1987.  <b>2</b> Peter Maresco and Bridget Lyons, "Achieving Growth in the Luxury Market," <b>Strategic Finance</b>, May 2005</p>
September 20	<p><b>Section 2 of Course: Costing Issues: Mission Impossible?</b> (Ch's 4, 11, 5 &amp; 12)             Ch. 4, "Job Costing"</p>	<p>DQ-What problems arise from current cost systems and how does the identification of cost drivers make it better?</p>	<p>1 Case: Precision Systems-<b>to be graded</b>            2 Case: "Cost Accounting in Government Contracting"            3 Douglas Jehl, "Air Force Pursued Boeing Deal Despite Concerns of Rumsfeld," Dec 6, 2003, <b>NYT</b>.            4 Curtis Verschoor, "Is this the age of whistleblowers?" <b>Strategic Finance</b>, January 2005.</p>

September 27	Ch. 11, "Process Costing" (Skip Appendix)	DQ-Does process costing provide any strategic information?	1. Handout on Process Costing (to be distributed). 2. Film on Process Costing
October 4	Ch.5, "Activity-Based Costing and Management"	DQ-Is an ABC system worth the cost of implementation? Is it moral to use ABC analysis to eliminate jobs for individuals who are working hard but are being incorrectly used by management?	Case -HBS. Destin Brass – <b>to be graded</b>
October 11	<b>EXAM 1</b>	<b>EXAM</b>	<b>EXAM</b>
October 18	Ch. 12, "Cost Allocation: Service Departments and Joint Product Costs Review exam	DQ-Why does the financial reporting system drive (and thus distort) the allocation of costs?	1. Kip Krumweide, "Rewards and realities of German Cost Accounting," <b>Strategic Finance</b> , April 2005.
October 25	<b>Section 3 of Course: Planning and Decision Making</b> (Ch's 7, 9, 8 & Ethics) Ch. 7, "Cost/Volume/Profit Analysis," Ch. 9, "Decision Making with Relevant Costs and a Strategic Emphasis"	Prepare Questions from Case. DQ-Does contribution margin analyses make sense with today's current cost structures? How do behavioral issues affect the validity of CVP analysis?	1. Case - <b>to be graded</b> . "The ALLTEL Pavilion Case: Strategy and CVP," <b>Issues in Accounting Education</b> , November 2004. Additional questions: In addition, prepare a SWOT analysis and an analysis of Porter's model of price pressures.
November 1	Ch. 8, "Strategy and the Master Budget" "	Prepare Qualitative and decision making questions only from Letsgo Travel Case. DQ- What are the behavioral and ethical issues that arise from the budgeting process?	1. Michael Jensen, "Corporate Budgeting is Broken-Let's Fix It," <b>Harvard Business Review</b> , November 2001. 2. James Surrowiecki, "The Financial Page: Don't do the Math," <b>New Yorker</b> Jan 24 & 31, 2005. 3. LetsGo Travel case 4. Paul Krugman, "The Tax Cut Con," <b>New York Times</b> .

November 8	<b>Section 4 of Course: Control Via Accounting Tools</b> (Ch's 13, 14) Variance Analysis Ch. 13, "The Flexible Budget and Standard Costing: Direct Materials and Direct Labor" Ch. 14, "Standard Costing: Factory Overhead	DQ-Does variance analysis information give strategic control signals to management?	1. Handout on variance analysis
November 15	Catch up and review	DQ-Can variance analysis measures be manipulated by management to achieve targeted performance measures?	1. The Case for Management Accounting," <b>Strategic Finance</b> October 2003.
November 29	Exam 2		
December 6	Ethics and the Accounting Profession	Prepare questions from case. DQ-Will an effective corporate governance system inhibit unethical behavior?	1. Case-Pure Marine, <b>Issues in Accounting Education</b> , February 2000.-to be graded-individually <b>completed</b> 2. J. Cohen, Ethics and Accounting 3. A. Levitt, Reclaiming the Profession's Heritage," <b>The CPA Journal</b> , Feb 2004. 3. Elizabeth Haywood and Donald Wygol, "Corporate Greed vs. IMA Ethics Code," <b>Strategic Finance</b> , November 2004.