ACCOUNTING 706

COST MANAGEMENT

Course Syllabus
Fourth Quarter (Spring, 2014)

INSTRUCTOR:

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Office Hours Monday and Wednesday 9:00 a.m. to 10:15 a.m. or by appointment

COURSE OBJECTIVES:

This course covers managerial accounting and cost management practices that can be strategically applied across the various functions of a business organization to improve organizational performance. The course emphasizes the methods available to measure and evaluate costs for decision-making and performance evaluation purposes. It reviews a number of cost management issues relating to the design and implementation of strategic, marketing, value analysis, and other management models in modern firms; and identifies major contemporary issues in managerial accounting and financial decision-making. A variety of case studies in different industries and decision contexts are used to examine the application of these concepts.

FORMAT:

The course will be a combination of lecture (with solutions to selected problems), case work and exercises, and interactive class discussion. **I will assume that you have prepared the required material for each class.**

Please note that case solutions will be discussed in class. No handouts of case solutions will be available. If you have a question about the solution, please see me during office hours. Also, if you think that the grade is incorrect, please submit a re-grade following the procedure below.

Cases and problem sets must be turned in on the date of the assignment. No late cases or assignment will be accepted.

The case assignments can be done individually or in groups up to four students. I will not become involved in any group disputes. Groups will have to monitor and manage themselves. All members of the group will receive the same grade on the case. In order to avoid "free-rider" problems, group membership can change during the course.

NOTE: Additional student names will not be allowed to be added to cases after they have been turned in. Please make sure that your team members have included your name on any assignments.

All groups must work independently. Members of different groups are ***not*** allowed to discuss the cases or exercises or to share answers prior to the assignments being turned in. You are responsible for ensuring that work done by your group is done independently of other groups.

GRADING:

1. Class participation (10%)

2. Exam (40%)

3. Three case write-ups (10% each):

   Choose three of the following: Bridgeton, Buckeye Bank, Activity-Based Management in Shell Gabon, or Tork Corporation

4. Comprehensive case project (20%): Mooresville Honda, ***must be turned in by all students (can be done in teams)***

OTHER ISSUES:

Neither an interview, travel in connection with an interview, nor vacation travel is an acceptable reason to miss a case assignment or exam. *No make-up examinations or case assignments will be available.*

Regrade requests for homework assignments or the final exam must be submitted in writing within one calendar week following the return of the assignment (or one week following the start of the next term for the final exam). To have an assignment or exam regraded, you must submit the original (with no modification) and a written description of your disagreement with the initial grade.

***REQUIRED* MATERIALS:**

Course notes will be posted on Canvas. In addition, students must purchase readings and case studies from Study.net.

ACCT 706 - COURSE OUTLINE AND SCHEDULE

THE STRATEGIC COST MANAGEMENT PROCESS

1. (Monday, 3/17) Introduction and Overview of the Strategic Cost Management Process

Major objectives: Provide an overview of the strategic cost management process. This process will provide the overarching framework for the material covered in the class.

Class Notes: Sessions 1 and 2

2. (Wednesday, 3/19) Cost Concepts for Decision-Making

Major objectives: Review important cost terms and concepts. Define and illustrate cost objects, direct costs, and indirect (or overhead) costs. Understand the associations between cost drivers, variable costs, and fixed costs, and the major assumptions underlying the definitions of variable and fixed costs. Review the concepts of contribution margin and cost-volume-profit analysis.

Class Notes: Sessions 1 and 2
Readings: Cost Concepts, Terms, and Classifications; Cost Concepts for Decision-Making; Relevant Costs in Nonroutine Decisions

COSTING METHODS

3. (Monday, 3/24) A Review of Product Costing

Major objectives: Review the mechanics of cost accounting systems, including the principles of cost allocation and overhead rates.

Class Notes: Session 3

4. (Wednesday 3/26) Overhead Allocation and Decision-Making

Major objectives: Analyze a case study linking cost accounting and decision-making in an outsourcing context.

Required Case: **Bridgeton Industries** *(No readings or notes for this session)*

5. (Monday 3/31) Variable Costing and Throughput Accounting

Major Objectives: Discuss the use of short-term cost accounting methods to improve decision-making. Compare the advantages and disadvantages of each of these methods to each other and to longer-term cost accounting methods such as activity-based costing.

Class Notes: Session 5
Readings: Throughput Notes (posted on Canvas)

6. (Wednesday 4/2) Activity-Based Costing and Customer Profitability

Major Objectives: Introduce more advanced product costing methods including activity-based costing and customer profitability analysis.

Required Case: **Buckeye Bank (posted on Canvas)**
Class Notes: Session 6
Readings: Activity Based Cost Systems; Customer-Driven Costs

7. (Monday 4/7) Service Department Allocations and Joint Costs

Major Objectives: Discuss the use of step-down and reciprocal methods for assigning service department costs to cost objects. Understand the effects of joint costs on decision-making.

Class notes: Session 7

COST MANAGEMENT

8. (Wednesday 4/9) Activity-Based Management and Process Value Analysis

Major Objectives: Review the methods for applying various cost management techniques to strategic cost decisions at various stages of the product or service life cycle.

Required Case: **Activity-Based Management in Shell Gabon**
Class Notes: Session 8
Readings: Improving Performance Through Activity Analysis

9. (Monday 4/14) Life Cycle Costing and Cost of Ownership

Major Objectives: Short exam covering material from sessions 2 to 7.

Discuss the application of concepts covered in the earlier sessions to life cycle cost and cost of ownership analyses.

Class Notes: Session 9

10. (Wednesday 4/16) Budgets, Standard Costing, and Variance Analysis

Major Objectives: Introduce flexible budgets and standard costs as aids for planning and control. Understand the use of standards for variable costs. Learn how variances between actual and standard costs can be broken into price and efficiency variances to assist in assigning responsibility and examining the variances' causes.

Class Notes: Session 10
Bulk Pack: Readings on Variance Analysis

11. (Monday 4/21) Exam

Major Objectives: **Comprehensive Exam** covering material from sessions 1 to 10.

COST ANALYSIS

12. (Wednesday 4/23) Cost Estimation and Learning/Experience Curves

Major Objectives: Discuss the methods available for cost estimation. Review the use of regression analysis to perform company- and industry-level cost analysis. Introduce the estimation and use of learning/experience curves.

Class Notes: Session 13

13. (Monday 4/28) Competitive Cost Analysis

Major Objectives: Discuss key issues and techniques for competitive cost analysis and their relation to internal cost analysis. Apply these techniques to an actual competitive case setting.

Required Case: **Tork Corporation**
Class Notes: Session 12
Readings: Competitive-Cost Analysis: Cost-Driver Framework;
Competitive-Cost Analysis: Cost-Modeling Techniques;
Competitive-Cost Analysis: Scale and Utilization Calculations

14. (Wednesday 4/30) Comprehensive Case Project

Major Objectives: Review a comprehensive case study that incorporates many of the topics covered in the course.

Required Case (posted on Canvas): Mooresville Honda Company <-- <u>All students must turn in this case assignment (can be submitted in teams); students should be prepared to discuss their analyses in class.</u>