

The Wharton School of the University of Pennsylvania

ACCOUNTING 102 – Strategic Cost Analysis Course Syllabus Spring, 2019

Instructor

Matthew Bloomfield
Office: 1325 Steinberg Hall-Dietrich Hall
E-mail: mjbloom@wharton.upenn.edu

Office Hours

Monday 3:30pm to 5:00pm (non-exam days) or by appointment

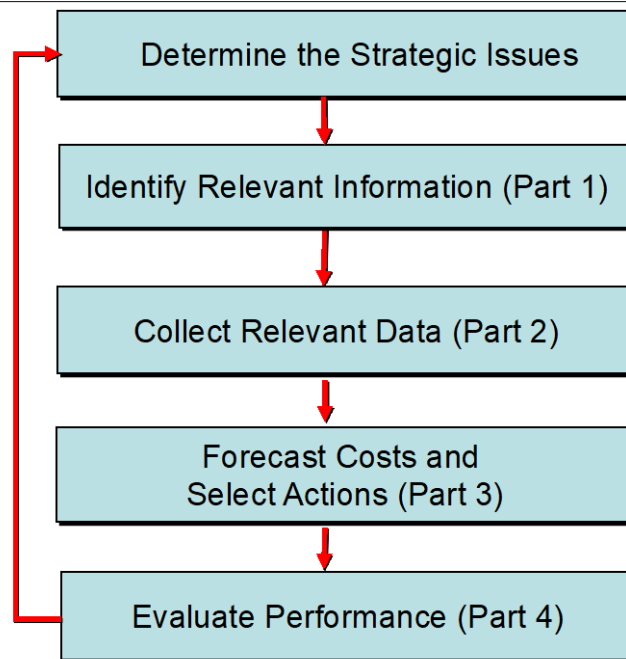
COURSE OVERVIEW:

Increasing business competition requires organizations to not only develop realistic and achievable strategies, but also to develop and analyze goals in financial terms and evaluate performance. Organizational efficiency requires all spending to be viewed as an investment, with spending decisions based on strategic vision and the capabilities needed to deliver value from that investment. Managers must analyze decisions from a financial perspective, gain a deeper understanding of how resources are deployed throughout an organization, and understand how to leverage cost analysis to position the organization for strategic success.

Strategic Cost Analysis is the process of analyzing and managing costs in order to improve the strategic position of the business. This goal can be accomplished by having a thorough understanding of which activities and costs support an organization's strategic position and which activities and costs either weaken it or have no impact. Subsequent cost management efforts can then focus on reducing or limiting expenditures on activities that add little or no strategic value, while increasing expenditures on activities that support the strategic position of the organization. Performance can then be evaluated to ensure that the chosen actions are taken, and that these actions are yielding improved strategic performance.

Throughout the class, the following strategic cost analysis and management framework will be applied across the various functions of an organization to highlight the cost analysis and performance evaluation methods available to improve strategic performance.

The Strategic Cost Management Decision-Making Process



Examples from a variety of settings, ranging from product design and pricing to customer profitability analysis, and the development of pro forma financial statements and earnings forecasts, are used to illustrate the widespread applicability of these methods to internal management, consulting, and financial analyst positions.

REQUIRED MATERIAL:

Davila, Antonio and Daniel Oyon, *Malea Fashion District, How Successful Managers Use Financial Information to Grow Organizations*, 2nd or 3rd Edition

Shim, Jae K. and Joel G. Siegel, *Shaum's Outlines, Managerial Accounting*, 2nd Edition, McGraw Hill

COURSE OPERATION:

The course meets twice a week: lectures on Monday and Wednesday. Optional out-of-class review sessions will be held periodically throughout the semester, and will be announced approximately one week in advance.

CANVAS:

Canvas contains, among other items, the course syllabus, class schedule, and information on the TAs' office hours and office locations. I will make the lecture notes for each class available on Canvas not later than the day preceding the day of the class.

To read most of the materials posted, you will need a copy of the Adobe Acrobat reader. To obtain a copy, go to:

<http://www.adobe.com/products/acrobat/readstep2.html>

If you have problems with Canvas, contact

iwane@wharton.upenn.edu

OFFICE HOURS:

The TAs office hours will be posted on Canvas. These office hours are in addition to my regular weekly office hours, which are Monday 3:30pm-5:00pm.

I am reachable by email throughout the day, and will do my best to provide prompt responses. While I will try to be quicker, **please allow up to 24 hours.**

For the sake of fairness, **I will not respond to questions about material after 10:30am on exam days**, as some students will have already begun the exam. Providing extra help at that point would unduly disadvantage students who must take the exam at the earlier times.

PERFORMANCE EVALUATION SYSTEM:

The course grade is based on relative performance evaluation (i.e., a curve), but no forced grade distribution is used. Your grade will be based exclusively on the weighted average of three exams and your participation and professionalism during the course. I offer 4 exams during the semester and for each student will count the **three highest raw scores** for the final grade (that is, if you have raw scores of 60, 70, 80, and 90 on the four exams, I will count 70, 80, and 90 for the final grade). Individual exam scores will not be normalized (e.g., I will not mean adjust the exam scores and I will not use z-scores). The schedule and weights of the grading components is as follows:

	<u>Date</u>	<u>Time</u>	<u>Weight</u>
Exam I:	February 11 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam II:	March 18 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam III:	April 15 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam IV:	May 13 _(TBC) (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Course participation and professionalism:			10%

10% of the course grade is determined by your participation and professionalism. This will be evaluated both by conduct during class (e.g., engagement and attentiveness during class; willingness to ask and answer questions; participation in in-class quizzes/surveys), and interactions outside class time (e.g., professionalism in e-mail correspondence). Consistently discourteous behavior (see below for what I expect in terms of professionalism) will negatively impact your participation and professionalism score. To facilitate active and shared participation, **I reserve the right to cold-call if participation is lacking.**

Please note that the above weighting scheme will be strictly adhered to. There is no possibility of earning extra credit or of changing the above weights.

Students at the bottom of the distribution with a very poor weighted average scores (e.g., a weighted average score of less than 45%) will likely receive a final grade of F.

COURSE RULES:

Both as a courtesy to your fellow students and the professor, and to ensure that everyone has the greatest opportunity to learn, please adhere to the following principles of professionalism:

- Please display **name tents** to make it easier for me to keep track of attendance and participation.
- Class starts on time. If a unique situation arises such that you must come in late or leave early, please inform me ahead of time and sit in an open aisle seat close to the door.
- Students should remain in attendance for the duration of class, except in an emergency.
- All phones and other electronic devices should be turned off, with the exception of computers/tablets that are strictly used for the purpose of this class.
- We expect that you will treat this course as a professional engagement. Please do not carry on private conversations during class.
- Follow the Code of Academic Integrity. On behalf of the majority of the students who make an honest effort in this class, we will take action against anyone suspected of breaching this Code. Students caught cheating will receive a grade of “F” for the course and will be remanded to the appropriate school disciplinary board.

EXAMINATIONS:

All examinations are closed-book and closed notes, with one exception. Students will be permitted to use **one page (8 ½" x 11", double-sided) of notes during the examination.**

EXAM ACCOMMODATIONS AND CONFLICTS:

If you need additional time to complete an exam because of a university-recognized disability, please inform your instructor (by e-mail) and the Office of Student Disabilities Services (SDS) **within two weeks of the start of classes**. You will be provided with the accommodations that are approved by that Office.

If you have a class or an exam for another course which is to be given at the same time as a scheduled exam, you must notify your instructor (not your TA) by e-mail within two weeks of the start of classes. Your e-mail must include your COMPLETE CLASS AND EXAM SCHEDULE FOR THE DAY OF THE CONFLICT. In those cases of an acceptable exam conflict, arrangements will be made for you to take the exam at an alternate time. **In almost all instances, the alternate time will be your scheduled class time.** Note that if such an arrangement has been made and you fail to attend the exam at the arranged time, you will receive a grade of zero for the exam. If your schedule changes such that you no longer have a “conflict” with the regularly scheduled exam, you should notify your instructor by e-mail as soon as possible.

In other cases, documented (written) evidence (i.e., from a doctor – a letter from Student Health is NOT sufficient) that you were **seriously ill, or unavailable for some other reason**, at the scheduled time of an exam is the only valid excuse for missing an exam. In order to be excused from an exam, you must email your instructor as soon as possible (prior to the exam, if possible), and you must provide the original copy of the required documentation. (A photocopy or other facsimile is not sufficient.) **Please note that a job interview or your attendance at a social event are not normally considered to be sufficient reasons to miss an exam.**

Students who fail to attend an exam without making arrangements with the instructor in accordance with the preceding requirements will receive a grade of 0 for the exam.

If a student misses an exam (with a valid excuse), he/she will be required to take the make-up exam. Make-up exams will be given **only** on the make-up exam date, which is scheduled by the University (typically during the first week of classes for the **following** semester--the start of the Fall semester, in this case). **I do not determine the make-up exam date, nor do I have the ability to offer customized alternative dates.**

RE-GRADES:

I and the TAs follow a grading scheme that is designed to award partial credit. Occasionally, we will make mistakes, and we are eager to correct them subject to the following limits. If you believe that there was a *mistake* in the grading of your exam, you must submit the original exam (with no adjustments), and a *written explanation* of the points of contention *within one calendar week following the return of the exam*. **We will only re-grade exams if they: (1) were originally written in non-erasable pen, (2) used no correction tape, white-out, etc., and (3) have not been edited or marked up in any way following their return and prior to the submission of the re-grade request.** *Please note, any exam submitted for re-grade is subject to a **complete review***, which may result in an increase or decrease in the total exam score. If the re-grade request is made after one calendar week or without an accompanying explanation, no re-grade will be permitted. In the [rare] instance that your score has been tallied or recorded incorrectly, your grade can be adjusted without a complete review.

All re-grade decisions are *final*.

WITHDRAWAL FROM THE COURSE:

I rarely refuse a student's request to withdraw from the course. However, while I am allowed to approve withdrawals up to the day before the final, **the undergraduate division has the final authority**, and, in most previous cases, it has refused all withdrawal requests submitted after the university deadline (**see below**). However, I urge students who are thinking of withdrawing in order to avoid a grade of C to think carefully about the costs of losing credit for the course and receiving a W versus the benefit of potentially getting a higher grade in the future.

Be aware that, in order to withdraw from the course, you must meet the university deadline and requirements regarding withdrawals. In particular, note that the university withdrawal deadline is Friday, April 5, 2019. Therefore, if you wish to withdraw after April 5, you will be required to submit a petition to the Wharton Undergraduate Division to obtain its approval. Please obtain the School's approval before you ask for mine.

Course Schedule

Please note that the review questions will not be discussed in class, but are intended as a learning tool to help you solidify your understanding and application of the various topics covered. Any questions on the review questions should be discussed in office hours with the instructor or TAs.

Session	Date	Topic and readings
01	Wed. 1/16	Introduction Slides: Session 01 Course Syllabus
	Mon. 1/21	MLK – No Class
Part 1: Identifying Relevant Decision-Making Information		
02	Wed. 1/23	Cost Concepts Slides: Session 02 Text Books: Malea Fashion District Chapter 1 Chapter 2, pp.36-39 (2 nd) Chapter 2, pp.34-36 (3 rd) Shaum's Outline Chapter 2 Review Questions: Chapter 2: Summary Questions 1, 5, 6, 12, 13; Solved Problems 2.1, 2.2, 2.5, 2.6, 2.8
03	Mon. 1/28	Relevant Costs Slides: Session 03 Text Books: Malea Fashion District Chapter 2, pp.40-53 (2 nd) Chapter 2, pp.37-49 (3 rd) Chapter 6 Shaum's Outline Chapter 5 (excl. 5.6) Review Questions: Chapter 5: All Solved Problems (excl. 5.9 & 5.10)
04	Wed. 1/30	Cost, Volume, Profit (CVP) & Financial Modeling Slides: Session 04 Text Books: Malea Fashion District Chapter 1, pp.20-33 (2 nd) Chapter 1, pp.22-32 (3 rd) Shaum's Outline Chapter 4 (excl. 4.9) Review Questions: Chapter 4: All Summary Questions; Solved Problems 4.1 – 4.20

05	Mon. 2/4	Decision-Making with Cost Interdependencies	
		Slides:	Session 05
		Text Books:	
		Malea Fashion District	Chapter 11, pp.242-244 (2 nd) Chapter 11, pp.207-209 (3 rd) Chapter 13, pp.270-280 (2 nd) Chapter 13, pp.230-239 (3 rd)
		Shaum's Outline	Chapter 12, pp.319-321
		<i>Review Questions:</i>	<i>Chapter 12: Summary Question 13; Solved Problem 12.10 (a, c)</i>
06	Wed. 2/6	Review	
		Slides:	Session 06
Mon. 2/11 Exam 1 6:00pm-7:30pm			
Part 2: Collecting Relevant Data			
07	Wed. 2/13	Decision Making: Case	
		Slides:	Session 07
		<u>Case:</u>	Forrest Gump (Read before class)
08	Mon. 2/18	Overview of Cost Accounting	
		Slides:	Session 08
		Text Books	
		Malea Fashion District	Chapter 3, pp.56-72 (2 nd) Chapter 3, pp.52-66 (3 rd) Chapter 4 (excl. process costing) Chapter 7 (excl. conversion costs)
		Shaum's Outline	Chapter 12, pp.309-313
		<i>Review Questions:</i>	<i>Chapter 12: Summary Questions 4, 5, 6; Solved Problems 12.1, 12.3, 12.4</i>

09	Wed. 2/20	Short-Term (Variable/Direct) Costing	Slides: Session 09 Text Books Malea Fashion District Chapter 7, pp.153-155 (2 nd) Chapter 7, pp.136-137 (3 rd) Chapter 11, pp.230-241 (2 nd) Chapter 11, pp.196-206 (3 rd) Shaum's Outline Chapter 4, pp. 63-66 Review Questions: Chapter 4: Solved Problems 4.21, 4.22
Fri. 2/22 Drop Period Ends			
10	Mon. 2/25	Longer-Term Decision-Making: Activity Based Costing	Slides: Session 10 Text Books Malea Fashion District Chapter 10 Shaum's Outline Chapter 13, pp. 335-338 Review Questions: Chapter 13: Summary Questions 1, 3, 4, 5; Solved Problems 13.1, 13.2, 13.3 Question 7 on page 354
11	Wed. 2/27	Customer Profitability Analysis & Activity Based Management	Slides: Session 11 Text Books Malea Fashion District Chapter 10, pp.223-227 (2 nd) Chapter 10, pp.190-194 (3 rd) Chapter 13, pp.285-286 (target costing) (2 nd) Chapter 13, pp.243-245 (target costing) (3 rd) Chapter 14
March 2 – March 10 Spring Term Break			
12	Mon. 3/11	In-Class Exercise	Slides: Session 12
13	Wed. 3/13	Review	Slides: Session 13
Mon. 3/18 Exam 2 6:00pm-7:30pm			

Part 3: Forecasting Costs and Selecting Actions		
14	Wed. 3/20	<p>Budgeting I</p> <p>Slides: Session 14-15</p> <p>Case: Buns Bakery: Creating and Using a Master Budget (<i>no advance preparation necessary</i>)</p> <p>Text Books</p> <p style="padding-left: 40px;">Malea Fashion District Chapter 8</p> <p style="padding-left: 40px;">Shaum's Outline Chapter 6</p> <p><i>Review Questions:</i> Chapter 3: Solved Problems 3.5, 3.7 (1a) Chapter 6: Solved Problems 6.1 – 6.17</p>
15	Mon. 3/25	<p>Budgeting II</p> <p>Slides: Session 14-15</p> <p>Case: Buns Bakery: Creating and Using a Master Budget</p> <p>Text Books</p> <p style="padding-left: 40px;">Malea Fashion District Chapter 8</p> <p style="padding-left: 40px;">Shaum's Outline Chapter 6</p> <p><i>Review Questions:</i> Same as Budgeting I</p>
16	Wed. 3/27	<p>Capital Budgeting</p> <p>Slides: Session 16</p> <p>Text Books</p> <p style="padding-left: 40px;">Malea Fashion District Chapter 12</p> <p style="padding-left: 40px;">Shaum's Outline Chapter 9, pp.212-222</p> <p><i>Review Questions:</i> Chapter 9: Solved Problems 9.1 – 9.6, 9.9, 9.13, 9.14, 9.15, 9.20 (<i>ignore IRR calcs</i>)</p>
17	Mon. 4/1	<p>Multiperiod Investment Analysis & Real Options</p> <p>Slides: Session 17</p> <p>Text Books</p> <p style="padding-left: 40px;">Malea Fashion District Chapter 12</p>
18	Wed. 4/3	<p>Variance Analysis I</p> <p>Slides: Session 18-19</p> <p>Text Books</p> <p style="padding-left: 40px;">Malea Fashion District Chapter 9, pp.184-207</p> <p style="padding-left: 40px;">Shaum's Outline Chapter 7, pp.143-152</p> <p><i>Review Questions:</i> Chapter 7: Solved Problems 7.3, 7.4, 7.5, 7.7, 7.9 – 7.18</p>

Fri. 4/5 Withdrawal Period Ends		
19	Mon. 4/8	Variance Analysis II Slides: Session 18-19 Text Books Malea Fashion District Chapter 9, pp.184-207 Shaum's Outline Chapter 7, pp.143-152 <i>Review Questions:</i> Chapter 7: Solved Problems 7.3, 7.4, 7.5, 7.7, 7.9 – 7.18
20	Wed. 4/10	Review Slides: Session 20
Mon. 4/15	Exam 3	6:00pm-7:30pm
Part 4: Evaluating Performance		
21	Wed. 4/17	Decentralization, Responsibility Accounting & Accounting Performance Measures Slides: Session 21 Text Books Malea Fashion District Chapter 3, pp.60-75 Chapter 15, pp.307-316 Shaum's Outline Chapters 7, 8 <i>Review Questions:</i> Chapter 7: Summary Questions 3, 5, 8, 14 Chapter 8: Summary Questions 1, 2, 6, 7, 12, 14; Solved Problems 8.1, 8.2, 8.5, 8.6, 8.7, 8.8
22	Mon. 4/22	Transfer Pricing Slides: Session 22 Text Books Malea Fashion District Chapter 15, pp. 316-319 Shaum's Outline Chapter 8, pp.186-187 <i>Review Questions:</i> Chapter 8: Summary Questions 8, 9, 10, 11, 13, 15, 16, 17; Solved Problems 8.11 – 8.16, 8.18

23	Wed. 4/24	Comprehensive Performance Measurement	
		Slides:	Session 23
		Text Books	
		Malea Fashion District	Chapter 15, pp. 316-319
		Shaum's Outline	Chapter 8, pp. 186-187
24	Mon. 4/29	Evaluating Performance: Case	
		Slides:	Session 24
		<u>Case:</u>	TBD
25	Wed. 5/1	Review	
		Slides:	Session 25
	Mon. 5/13 (TBC)	Exam 4	6:00pm-7:30pm