

The Wharton School of the University of Pennsylvania

ACCOUNTING 102 – Strategic Cost Analysis Course Syllabus Spring, 2020

Instructor

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Office Hours

Wednesday 10:00am to 11:30am (**non-exam weeks**) or by appointment

Additional office hours will be posted on Canvas in the lead up to each exam

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.

SUPPLEMENTARY 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. The lecture notes made available on Canvas will not necessarily contain everything that is covered in class, so students are expected to take notes during class. Solutions to the cases covered in class will not be posted on Canvas.

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, please contact

support@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 Wednesday 10:00am-11:30am during non-exam weeks. Additional office hours will be posted on Canvas in the lead up to each exam.

PERFORMANCE EVALUATION SYSTEM:

The course grade is based on relative performance evaluation (i.e., a curve), but no forced grade distribution is used.

Students can choose between two options for the calculation of their grade:

OPTION 1: Grade based on the weighted average of three exams and participation. [This option is highly recommended for all students.]

OPTION 2: Grade based exclusively on the weighted average of three exams.

Students will indicate their preference through Canvas no later than **February 3** (Monday). ***Students who fail to indicate their preference on Canvas will automatically be assigned to Option 1. No changes to the chosen option will be permitted after the deadline of February 3 has passed.***

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 for Option 1</u>
Exam I:	February 10 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam II:	March 2 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam III:	April 6 (Monday)	6:00 – 7:30 pm	30% (if one of 3 best)
Exam IV:	TBD	TBD	30% (if one of 3 best)
In-class participation:	January 27 – April 27	During class	10%

For students who select Option 1, 10% of the course grade is determined by your class participation, which will be evaluated based on in-class quizzes (see the next section for a detailed rubric). **For students who select Option 2, each of the three best exams will receive a weight of one-third, rather than 30%.** Regardless of which option you select, **consistently discourteous behavior will negatively impact your overall grade** (see below for what I expect in terms of professionalism).

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 score (e.g., a weighted average score of less than 45%) will likely receive a final grade of F.

IN-CLASS CANVAS “QUIZZES”

Starting in class session 3, on January 27, I will give up to two Canvas quizzes each class (except for review sessions). To answer the questions students will need to bring either a smart phone, a tablet, or a laptop.

These quizzes serve a variety of purposes. First and foremost, these quizzes provide an opportunity to practice course material, and receive early feedback on comprehension. Second, these quizzes are useful ‘jumping off’ points for discussion. Lastly, for those students who select grading Option 1, I will use quiz completion rates to assess participation. Students can gain a total of 10 points (that translate to 10% of the total grade) by answering in-class questions via Canvas. The points can be achieved as follows:

Quizzes Completed	Score
<30%	0
30% – 39%	2
40% – 49%	4
50% – 59%	6
60% – 69%	8
70% – 79%	9
80% – 100%	10

In evaluating class participation scores, correctness is NOT a factor. Getting a question right or wrong does not influence this score in any way. Canvas Quizzes must be completed in the classroom during class time (taking an in-class Canvas quiz outside of class or facilitating another student doing so by sharing an access code is not permitted).

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:

- Students should sit in the same seat each class session. Please display **name tents** to make it easier for the instructor to facilitate participation.
- Class starts and ends on time. If a unique situation arises such that you must come in late or leave early, please inform your professor 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.
- 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.

Electronics policy: In the interests of maximizing learning outcomes for all students, I ask that phones and other electronic devices be turned off for the duration of the class. Use of electronic devices will be permitted only when answering in-class questions or when working through in-class problems. Research highlights the negative outcomes associated with the use of electronics during class. See for example: <https://www.scientificamerican.com/article/students-are-better-off-without-a-laptop-in-the-classroom/>

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. 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).

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 Monday, March 30, 2020. Therefore, if you wish to withdraw after March 30, 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.

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 entirely 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.

All re-grade decisions are *final*.

04	Wed. 1/29	Cost, Volume, Profit (CVP) & Financial Modeling I		
		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 – 4.18, 4.20	
05	Mon. 2/3	Cost, Volume, Profit (CVP) & Financial Modeling II		
		Case: Can Management Accounting Help Aid Associations Make Tough Choices in Haiti? (Read and attempt questions <u>before class</u>)		
		<i>Please note that case solutions will not be posted on Canvas.</i>		
06	Wed. 2/5	Review		
		Slides:	Session 06	
	Mon. 2/10	Exam 1	6:00pm-7:30pm	Arrive by 6.00pm, exam starts at 6.10pm
Part 2: Information for Decision-Making				
07	Wed. 2/12	Introduction to Product Costing		
		Slides:	Session 07	
		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	
		Review Questions:	Chapter 12: Summary Questions 4, 5, 6; Solved Problems 12.1, 12.3, 12.4	
08	Mon. 2/17	Cost Allocation is Paramount		
		Case: Forrest Gump (Read and attempt questions <u>before class</u>)		
		<i>Please note that case solutions will not be posted on Canvas.</i>		

09	Wed. 2/19	Costing Systems for Decision-Making I		
		Slides:	Session 09	
		Text Books		
		Malea Fashion District	Chapter 7, pp.153-155 (2 nd)	
			Chapter 7, pp.136-137 (3 rd)	
			Chapter 10	
		Shaum's Outline	Chapter 4, pp. 63-66	
			Chapter 13, pp. 335-338	
		<i>Review Questions:</i>	<i>Chapter 4: Solved Problems 4.21, 4.22</i>	
			<i>Chapter 13: Summary Questions 1, 3, 4, 5;</i>	
			<i>Solved Problems 13.1, 13.2, 13.3</i>	
			<i>Question 7 on page 354</i>	
Mon. 2/24 Drop Period Ends				
10	Mon. 2/24	Costing Systems for Decision-Making II		
		Slides:	Session 10	
		Text Books		
		Malea Fashion District	Chapter 10	
		Shaum's Outline	Chapter 13, pp. 335-338	
		<i>Review Questions:</i>	<i>Chapter 13: Summary Questions 1, 3, 4, 5;</i>	
			<i>Solved Problems 13.1, 13.2, 13.3</i>	
			<i>Question 7 on page 354</i>	
11	Wed. 2/26	Review		
		Slides:	Session 11	
Mon. 3/2 Exam 2 6:00pm-7:30pm Arrive by 6.00pm, exam starts at 6.10pm				
Wed. 3/4 NO CLASS				
March 7 – March 15 Spring Term Break				

Part 3: Long-term Decision Making		
12	Mon. 3/16	<p>Cost Estimation Case: Delta's New Song (Read and attempt questions <u>before class</u>) <i>Please note that case solutions will not be posted on Canvas.</i></p> <p>Slides: Session 12 Text Books Shaum's Outline Chapter 3, pp.31-39</p> <p><i>Review Questions: Chapter 3: Solved Problems 3.5, 3.7 (1a)</i></p>
13	Wed. 3/18	<p>Budgeting I</p> <p>Slides: Session 13 Text Books Malea Fashion District Chapter 8 Shaum's Outline Chapter 6</p> <p><i>Review Questions: Chapter 6: Solved Problems 6.1 – 6.17</i></p>
14	Mon. 3/23	<p>Budgeting II Case: Cash is King: Master Budgets to Inform a Credit Decision (Read and attempt questions <u>before class</u>) <i>Please note that case solutions will not be posted on Canvas.</i></p>
15	Wed. 3/25	<p>Capital Budgeting</p> <p>Slides: Session 15 Text Books Malea Fashion District Chapter 12 Shaum's Outline Chapter 9, pp.212-222</p> <p><i>Review Questions: Chapter 9: Solved Problems 9.1 – 9.6, 9.9, 9.13, 9.14, 9.15, 9.20 (ignore IRR calcs)</i></p>
Mon. 3/30 Withdrawal Period Ends		
16	Mon. 3/30	<p>Multiperiod Investment Analysis & Real Options</p> <p>Slides: Session 16 Text Books Malea Fashion District Chapter 12</p>
17	Wed. 4/1	<p>Review</p> <p>Slides: Session 17</p>

Mon. 4/6		Exam 3	6:00pm-7:30pm	Arrive by 6.00pm, exam starts at 6.10pm
Part 4: Delegated Decision-Making				
18	Wed. 4/8	Decentralization, Moral Hazard and Incentives	Slides: Text Books Malea Fashion District Shaum's Outline	Session 18 Chapter 15, pp.308-316 (2 nd) Chapter 15, pp.264-271 (3 rd) Chapter 7, pp.142-143 Chapter 8, pp.182
		<i>Review Questions:</i>		<i>Chapter 7: Summary Questions 3, 5, 8, 14</i>
19	Mon. 4/13	Variance Analysis I	Slides: Text Books Malea Fashion District	Session 19 Chapter 9, pp.184-196 (2 nd) Chapter 9, pp.158-167 (3 rd)
20	Wed. 4/15	Variance Analysis II	Slides: Text Books Malea Fashion District Shaum's Outline	Session 20 Chapter 9, pp.196-207 (2 nd) Chapter 9, pp.168-177 (3 rd) Chapter 7, pp.143-152
		<i>Review Questions:</i>		<i>Chapter 7: Solved Problems 7.3, 7.4, 7.5, 7.7, 7.9 – 7.18</i>
21	Mon. 4/20	Accounting Performance Measures	Slides: Text Books Malea Fashion District Shaum's Outline	Session 21 Chapter 3, pp.73-75 (2 nd) Chapter 3, pp.67-69 (3 rd) Chapter 15, pp.308-310, 319-321 (2 nd) Chapter 15, pp.264-266, 274-276 (3 rd) Chapter 8, p.183-186
		<i>Review Questions:</i>		<i>Chapter 8: Summary Questions 1, 6, 7, 14; Solved Problems 8.1, 8.2, 8.5, 8.6, 8.7, 8.8</i>

22	Wed. 4/22	TBD	
		Slides:	Session 22
23	Mon. 4/27	Delegated Decision-Making	
		Case: Berkshire Toys (Read and attempt questions <u>before class</u>)	
		<i>Please note that case solutions will not be posted on Canvas.</i>	
24	Wed. 4/29	Review	
		Slides:	Session 24
	Thur. 5/7	Exam 4	6:00pm-7:30pm
			Arrive by 6.00pm, exam starts at 6.10pm
		<i>Note: Date is tentative</i>	