

The Wharton School of the University of Pennsylvania

ACCOUNTING 102 – Strategic Cost Analysis Course Syllabus Spring, 2022

Instructor

Professor Christopher Ittner

E-mail: ittner@wharton.upenn.edu

My Office Hours

Mondays and Wednesdays 2:30pm to 3:30pm OR by appointment

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

** Due to the COVID-19 pandemic, you must schedule an appointment with me in advance even if you want to meet during my regular office hours. Please do not drop by my office without an appointment. I am happy to meet with you either in my office or on Zoom (max 2 students at a time).*

TA Office Hours

Will be posted on Canvas.

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.

COURSE OPERATION:

The course meets twice a week: Mondays and Wednesdays. Optional out-of-class review sessions (in addition to in-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. 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 necessarily be posted on Canvas.

Canvas announcements are a primary method of communicating important information about the course, so be sure to check for them frequently.

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

PIAZZA:

In addition to office hours, I will utilize Piazza during the semester for students' *content-related* questions. Canvas will contain a link to Piazza. Only questions pertaining to course content can be posted here. Any questions on logistics, grading, etc., should be directed to your instructor and any questions on such topics will be deleted from Piazza. In the interests of building community, answering questions that other students have posted is strongly encouraged. Piazza will be monitored primarily by the TAs.

SUPPLEMENTARY MATERIAL (OPTIONAL):

1. If you would like more practice problems (with solutions) to practice the mechanics of many of the concepts we discuss in class:
Shim, Jae K. and Joel G. Siegel, *Shaum's Outlines, Managerial Accounting*, 2nd Edition, McGraw Hill (no ebook available, paperback approximately \$25)
2. If you would like a different simple introduction to the topics we discuss:
Alshar, Kalpesh, *Cost Accounting & Management Essentials You Always Wanted To Know*, Vibrant Publishers (e-book available)
or
Holtzman, Mark P., *Managerial Accounting For Dummies*, For Dummies (e-book available)

PERFORMANCE EVALUATION SYSTEM:

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

I offer four exams during the semester. The last exam (Exam 4) is comprehensive and counts towards the final grade for all students. For the first three exams, the **two highest raw scores** will count towards the final grade for each student (that is, if you have raw scores of 60, 70, and 80 on the first three exams, I will count 70 and 80 towards the final grade, and your score on the last exam). 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 first three exams are “cumulative” in the sense that all material covered in the course up until the exam is examinable, but the focus will be on material covered in the most recent unit. The schedule and weights of the grading components is as follows:

| | Date | Time | Weight |
|---------|----------------------|---------------------|--|
| Exam 1: | February 7 (Monday) | 7:00 – 8:30 pm EST* | 33.33% (if one of two best in the first three exams) |
| Exam 2: | March 16 (Wednesday) | 7:00 – 8:30 pm EST* | 33.33% (if one of two best in the first three exams) |
| Exam 3: | April 4 (Monday) | 7:00 – 8:30 pm EST* | 33.33% (if one of two best in the first three exams) |
| Exam 4: | TBD | TBD | 33.33% |

* An alternative exam window will be offered for students who have a time conflict with another course.

In addition to the exam scores, I reserve the right to adjust total scores upwards or downwards by 5% based on excellent class participation and attendance. Class participation is assessed based on what you add to the learning experience of the entire class, and not simply on the basis of the number of times you speak in class.

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.

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 and display their name tent (provided).
- 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.

- Students should remain in attendance for the duration of class (unless there is a valid reason to leave).
- I expect that you will treat this course as a professional engagement. Please do not carry on private conversations, messaging, etc. during class.
- Follow the Code of Academic Integrity. On behalf of the majority of the students who make an honest effort in this class, I 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(s).

Electronics policy: In the interests of maximizing learning outcomes for all students, I ask that phones be turned off for the duration of the class. Laptops and tablets are allowed for note-taking only.

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 a 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 may 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 required documentation. **Please note that a job interview or your attendance at a social event are not 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), they 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 28th, 2022. Therefore, if you wish to withdraw after March 28th, 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:

Occasionally, there may be a mistake in the grading of an exam, and the TAs and I are eager to correct such mistakes 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 directly to your professor *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*.

COVID-19 POLICIES:

As per the current University policy, students are required to wear a well-fitting mask (covering their nose and mouth) at all times during class (as well as during office hours and exams). Students will be permitted to drink during class using a straw under their mask only; no eating is permitted. In the interests keeping everyone safe, I will be **strictly enforcing** the mask requirement.

Office hours appointments will be limited to **two students at a time**. Irrespective of whether you would like to see me during my regular office hours or at another day/time, please contact me in advance. I am happy to meet with students either in my office or on Zoom. Please do not drop by my office unannounced.

Course Schedule

Please note that the review questions listed (these come from Shaum's Outline) 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 or posted on Piazza. Practice problems and solutions for each topic will also be posted on Canvas.

| Session | Date | Topic and readings |
|--|------------------|---|
| Part 1: Fundamentals of Financial Decision-Making | | |
| 01 | Wed. 1/12 | Introduction Slides: Session 01 Course Syllabus Text Books: Shaum's Outline Chapter 2 (excl. 2.8) <i>Review Questions:</i> <i>Chapter 2: Summary Questions 1, 5, 6, 12, 13; Solved Problems 2.1, 2.2, 2.5, 2.6, 2.8</i> |
| | Mon. 1/17 | MLK Day – No Class |
| 02 | Wed. 1/19 | Cost Concepts Slides: Session 02 Text Books: Shaum's Outline Chapter 5 (excl. 5.8) <i>Review Questions:</i> <i>Chapter 5: Solved Problems 5.1 – 5.13</i> |
| 03 | Mon. 1/24 | Relevant Costs Slides: Session 03 Text Books: Shaum's Outline Chapter 5, pp.95-96 (5.8) <i>Review Questions:</i> <i>Chapter 5: Solved Problems 5.14, 5.15, 5.16</i> |

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| 04 | Wed. 1/26 | Cost, Volume, Profit (CVP) & Financial Modeling I | |
| | | Slides: | Session 04 |
| | | Text Books: | |
| | | Shaum's Outline | Chapter 4 (excl. 4.9) |
| | | <i>Review Questions:</i> | <i>Chapter 4: All Summary Questions; Solved Problems 4.1 – 4.18, 4.20</i> |
| 05 | Mon. 1/31 | Cost, Volume, Profit (CVP) & Financial Modeling II | |
| | | Slides: | Session 05 |
| 06 | Wed. 2/2 | Review | |
| | | Slides: | Session 06 |
| Mon. 2/7 Exam 1 7:00pm-8:30pm EST | | | |
| Part 2: Financial Planning | | | |
| 07 | Wed. 2/9 | Review of Financial Statements & Product Costing I | |
| | | Slides: | Session 07 |
| | | Text Books | |
| | | Shaum's Outline | Chapter 4, pp. 63-66 |
| | | <i>Review Questions:</i> | <i>Chapter 4: Solved Problems 4.21, 4.22</i> |
| 08 | Mon. 2/14 | Forrest Gump Case (read before class) | |
| 09 | Wed. 2/16 | Review of Financial Statements & Product Costing II | |
| | | Slides: | Session 09 |
| | | Text Books | |
| | | Shaum's Outline | Same as Session 07 |
| | | <i>Review Questions:</i> | <i>Same as Session 07</i> |

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| 10 | Mon. 2/21 | Budgeting I | Slides: Text Books Shaum's Outline | Session 10 Chapter 3, pp.31-39 Chapter 6 |
| | | <i>Review Questions:</i> | | <i>Chapter 3: Solved Problems 3.5, 3.7 (1a)</i> <i>Chapter 6: Solved Problems 6.1 – 6.17</i> |
| 11 | Wed. 2/23 | Budgeting II | Slides: Text Books Shaum's Outline | Session 11 Chapter 6 |
| | | <i>Review Questions:</i> | | <i>Same as Budgeting I, Chapter 6</i> |
| 12 | Mon. 2/28 | Budgeting Problems | Slides: | Session 12 |
| 13 | Wed. 3/2 | Multiperiod Investment Analysis, Capital Budgeting & Real Options | Slides: | Session 12 |
| March 5 – March 13 Spring Break | | | | |
| 14 | Mon. 3/14 | Review | Slides: | Session 14 |
| | Wed. 3/16 | Exam 2 | 7:00pm-8:30pm EST | |

| Part 3: Product Cost Information for Decision-Making (Review Material from Sessions 07 and 08 for This Module) | | | |
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| 15 | Mon. 3/21 | Costing Methods | |
| | | Slides: | Session 15 |
| | | Text Books | |
| | | 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> |
| 16 | Wed. 3/23 | Advanced Costing I | |
| | | Slides: | Session 16 |
| | | Text Books | |
| | | Shaum's Outline | Chapter 13, pp. 335-338 |
| | | <i>Review Questions:</i> | <i>Chapter 13: Summary Questions 1, 3, 4, 5; Solved Problems 13.1, 13.2, 13.3 Question 7 on page 354</i> |
| 17 | Mon. 3/28 | Advanced Costing II | |
| | | Slides: | Session 17 |
| 18 | Wed. 3/30 | Review | |
| | | Slides: | Session 18 |
| Mon. 4/4 | Exam 3 | 7:00pm-8:30pm EST | |

| Part 4: Delegated Decision-Making | | |
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| 19 | Wed. 4/6 | <p>Decentralization and Incentives</p> <p>Slides: Session 19 Text Books</p> <p style="text-align: center;">Shaum's Outline Chapter 7, pp.142-143 Chapter 8, pp.182</p> <p><i>Review Questions:</i> <i>Chapter 7: Summary Questions 3, 5, 8, 14</i></p> |
| 20 | Mon. 4/11 | <p>Common Costs and Transfer Pricing</p> <p>Slides: Session 20 Text Books</p> <p style="text-align: center;">Shaum's Outline Chapter 8, pp.186-187</p> <p><i>Review Questions:</i> <i>Chapter 8: Summary Questions 8, 9, 10, 11, 13, 15, 16, 17; Solved Problems 8.11 – 8.16, 8.18</i></p> |
| 21 | Wed. 4/13 | <p>Variance Analysis I</p> <p>Slides: Session 21 Text Books</p> <p style="text-align: center;">Shaum's Outline Chapter 7, pp.143-152</p> |
| 22 | Mon. 4/18 | <p>Variance Analysis II</p> <p>Slides: Session 22 Text Books</p> <p style="text-align: center;">Shaum's Outline Chapter 7, pp.143-152 Chapter 8, pp. 186-187</p> <p><i>Review Questions:</i> <i>Chapter 7: Solved Problems 7.3, 7.4, 7.5, 7.7, 7.9 – 7.18</i></p> |
| 22 | Wed. 4/20 | <p>Accounting Performance Measures</p> <p>Slides: Session 22 Text Books</p> <p style="text-align: center;">Shaum's Outline Chapter 8, p.183-186</p> <p><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></p> |

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| 24 | Mon. 4/25 | Review (Part 4 Material) | |
| | | Slides: | Session 24 |
| 25 | Wed. 4/27 | Review (Comprehensive Problems) | |
| | | Slides: | Session 25 |
| Exam 4 (date and time TBD) | | | |