

ACCOUNTING 7060  
COST MANAGEMENT

**Opportunity Week  
October 16-20, 2023**

**INSTRUCTOR:**

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**Office hours by appointment**

**COURSE OBJECTIVES:**

In today's economy, managers are taking a hard look at ways to improve cost efficiency without compromising quality or growth. Whether an organization is seeking to make immediate cost cuts, better position the business for future growth – or both – it needs the right mix of intelligent cost optimization measures tailored to your unique business needs. This new approach to cost management goes beyond cost cutting and instead emphasizes new value creation and continuous cost improvement. This course covers the key factors involved in choosing and analyzing cost structures, and the cost management practices that can be strategically applied across the various functions of a business organization to analyze and forecast costs and to improve organizational performance. This course emphasizes the methods available to measure and evaluate costs for planning, forecasting, and decision-making. The material is designed for managers and consultants who will be involved in implementing cost management activities, as well as analysts, investors, and strategic planners involved in competitive cost analysis and financial forecasting.

**FORMAT:**

The course will be a combination of lecture (with solutions to selected problems), case work, 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.**

**Cases must be turned in prior to the start of class on the date of the assignment. No late cases will be accepted. Cases should be submitted through Canvas.**

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. ***Groups must work independently and may not work with or share information with people who are not in their group.***

**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 (25%):  
*Based on student's ability to answer questions about the material, in particular case questions, as well as attendance. We will be using the Wharton attendance app to track attendance.*
2. Exam (45%):  
*Closed book, closed notes, but you can have a one-page cheat sheet (8.5 x 11 inches, double-sided)*
3. Two case write-ups (15% each):  
*Bridgeton Industries and Cash is King*

#### **OTHER ISSUES:**

**Class attendance is required. Class recordings will only be made available to students with an excused absence.**

**Regrade requests for homework assignments or the exam must be submitted in writing by October 27. 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 7060 - COURSE OUTLINE AND SCHEDULE

## 1. (October 16) Overview of the Strategic Cost Management Process; Cost Concepts for Planning, Forecasting and Decision-Making; Principles of Product Costing

**CLASS TIMES: 10-11:20, 12:00-1:30; 1:45-3:15**

**Major objectives:** Review important cost terms and concepts for planning, forecasting, and decision-making. 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. Review the mechanics of cost accounting systems, including the principles of cost allocation and overhead rates.

**Class Notes:** Session 1

**Readings:** Cost Concepts, Terms, and Classifications; Relevant Costs in Nonroutine Decisions

## 2. (October 17, Part 1) Bridgeton case

**CLASS TIME: 10-11:20**

**Major objectives:** Analyze a consulting case study analyzing the use of cost accounting data for economic decision-making.

**Required Case:** Bridgeton Industries (**Case writeup is due before start of class**)

## (October 17, Part 2) Activity Analysis and Management

**CLASS TIMES: 12:00-1:30; 1:45-3:15**

**Major Objectives:** Introduce more advanced, longer-term product costing methods including activity-based costing and customer profitability analysis. Review the methods for applying various cost management techniques to strategic cost decisions at various stages of the product

or service life cycle. Analyze and discuss an in-class case covering these topics.

**Class Notes:** Session 2; Excel file with case data will be posted on Canvas (bring a laptop to class along with the case data)  
**Readings:** Activity Based Cost Systems; Customer-Driven Costs  
**Readings:** Improving Performance Through Activity Analysis

### 3. (October 18) Competitive Cost Analysis; Financial Planning and Budgeting

**CLASS TIMES: 10-11:30, 12:00-1:30**

**Major Objectives:** Discuss key issues and techniques for applying the concepts covered in this course to external competitive cost analysis. Review the financial forecasting, planning, and budgeting cycle and the links between pro forma balance sheet, income statement, and cash flow requirements.

**Case:** Cash is King (**Case writeup is due before class 4 the next day**)  
**Class Notes:** Session 3

### 4. (October 19) Cash is King case review; Review for Exam

**CLASS TIMES: 10-11:30, 12:00-1:30**

### 5. (October 20) Variance Analysis; Exam

**CLASS TIMES: 10-11:30 (Variance analysis; this material will not be on the exam), 12:00-1:30 (exam covering material from sessions 1 to 4)**

**Major Objectives:** Introduce flexible budgets and standard costs as aids for planning, control, and performance improvement. 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 5  
**Readings:** Readings on Variance Analysis

