

The Wharton School of the University of Pennsylvania

ACCOUNTING 102 – Strategic Cost Analysis Course Syllabus Spring, 2021

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Office Hours: Monday and Wednesday 12:15 to 1:15 or by appointment

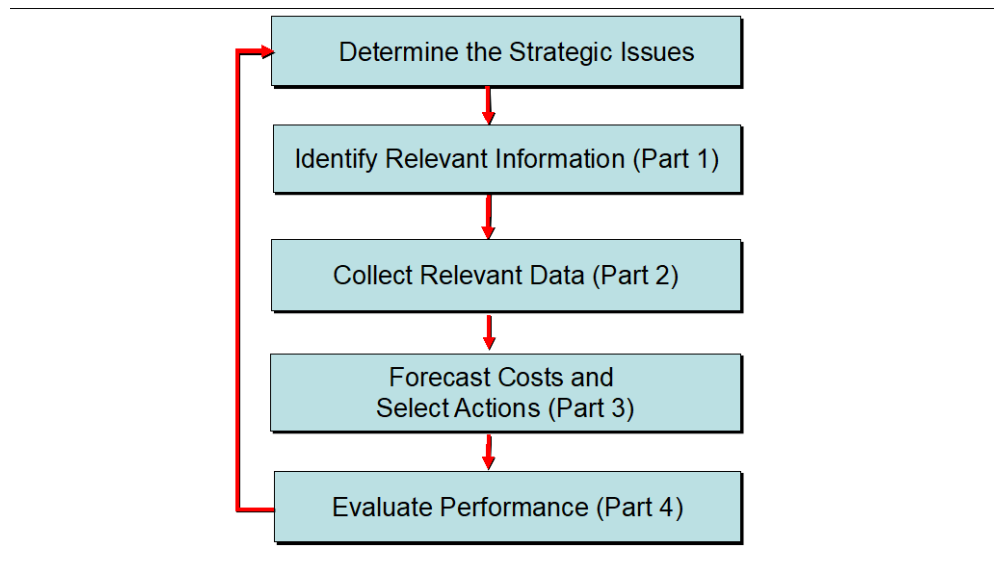
COURSE OVERVIEW:

Increasing business competition requires organizations to not only develop realistic and achievable strategies, but also to develop and analyze goals in financial terms and to 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 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.

OPTIONAL SUPPLEMENTARY MATERIAL:

1. The recommended reading material for this class provides short reviews of the course material and additional 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 \$22)
2. If you would like easy background reading and further insight as to how and why the problems we discuss arise:
Davila, Antonio and Daniel Oyon, *Malea Fashion District, How Successful Managers Use Financial Information to Grow Organizations*, 2nd or 3rd Edition
(the official webpage <http://www.maleafd.com/> effectively contains the whole book in short YouTube videos and small pages, otherwise a paperback is available)
3. 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 for approximately \$10)
or
Holtzman, Mark P., *Managerial Accounting For Dummies*, For Dummies
(e-book available for approximately \$15)

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.

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.

Live classes will take place via Zoom (and will be recorded and posted to Canvas). Students are expected to attend the lives classes and are **required** to have their video ON (appropriate Zoom backgrounds are allowed). In extreme circumstances where it is not possible for a student to have their video on, they must email the instructor in advance of class seeking permission to have the video off.

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 be posted on Canvas.

Canvas announcements are my 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

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 and Wednesday from 12:30 pm to 1:15 pm, or by appointment.

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, **anonymous posts will**

not be permitted, and answering questions that other students have posted is strongly encouraged. Piazza will be monitored primarily by the TAs.

PERFORMANCE EVALUATION SYSTEM:

The course grade is based on relative performance evaluation (i.e., a curve), but no forced grade distribution is used (i.e., there is not a set percentage of students who must receive each grade). Your grade will be based exclusively on the weighted average of three exams. I offer 4 exams during the semester and 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 exams and class participation/professionalism are as follows:

	<u>Date</u>	<u>Weight</u>
Exam I:	February 10 (Wed.) in-class	33.3% (if one of 3 best)
Exam II:	March 17 (Wed.) In-class	33.3% (if one of 3 best)
Exam III:	April 7 (Wed.) In-class	33.3% (if one of 3 best)
Exam IV:	TBD	33.3% (if one of 3 best)

Alternative exam times will be offered for students in certain time zones who cannot take the exam during class hours.

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.** Students are expected to attend class during the scheduled class time. Attendance at fewer than 75% of the classes will be penalized, unless prior approval has been given to miss the classes. 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 with very poor weighted average scores (e.g., below 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:

- Class starts and ends on time (class start time may vary depending on the length of pre-recorded material; please check Canvas for the start time of each class). If a unique situation arises such that you must come in late or leave early, please inform your professor ahead of time.
- Students must leave their video on for the duration of live class time, unless the student has received an exception from the instructor. Momentarily switching it off (e.g. to take a bathroom break) is permitted.
- Students should remain in attendance for the duration of class, except in an emergency.
- 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).

EXAMINATIONS:

All examinations are open-book and open-note. Students are permitted to use a calculator, excel, etc., and to view any material on the Canvas site. Students must complete the exam *individually* and are not to communicate with anyone while taking the exam, or with anyone about the exam until the main exam window and any alternative exam windows have closed. Before commencing each exam, students will be required to acknowledge that they have read and agree to abide by the university’s code of academic integrity. Any departures from the above protocol will be dealt with harshly. Giving help and/or receiving help will both be considered cheating, and will result in an overall course grade of F, no exceptions. Students are expected to notify me of any test-taking improprieties they are aware of.

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 required documentation. **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 29th, 2021. Therefore, if you wish to withdraw after March 29th, 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 will be a mistake in the grading of an exam, and I am eager to correct such mistakes subject to the following: If you believe that there was a *mistake* in the grading of your exam, you must submit a *written explanation* of the points of contention *within one calendar week following the release of the exam scores and solution*. If the re-grade request is made after one calendar week or without an accompanying explanation, no re-grade will be permitted. Because all exams will be online this semester, I will correct the grading for all exams when a mistake is found.

All re-grade decisions are *final*.

Course Schedule

Session	Date	Topic and readings
01	Wed. 1/20	Introduction Slides: Session 01 Course Syllabus
Part 1: Identifying Relevant Decision-Making Information		
02	Mon. 1/25	Cost Concepts Slides: Sessions 02 and 03 Recommended Reading: Shaum's Outline Chapter 2 <i>Shaum's 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>
03	Wed. 1/27	Relevant Costs Slides: Sessions 02 and 03 Recommended Reading: Shaum's Outline Chapter 5 (excl. 5.6) <i>Shaum's Review Questions:</i> <i>Chapter 5: All Solved Problems (excl. 5.9 & 5.10)</i>
04	Mon. 2/1	Cost, Volume, Profit (CVP) & Financial Modeling I Slides: Session 04 Recommended Reading: Shaum's Outline Chapter 4 (excl. 4.9) <i>Shaum's Review Questions:</i> <i>Chapter 4: All Summary Questions; Solved Problems 4.1 – 4.20</i>

05	Wed. 2/3	CVP and Financial Modelling II	
		Slides:	Session 05
06	Mon. 2/8	Review	
		Slides:	Session 06
	Wed. 2/10	Exam 1 (in-class)	
Part 2: Collecting Relevant Data			
07	Mon. 2/15	Overview of Cost Accounting	
		Slides:	Session 07
		Recommended Reading:	
		Shaum's Outline	Chapter 12, pp.309-313
		<i>Shaum's Review Questions:</i>	<i>Chapter 12: Summary Questions 4, 5, 6; Solved Problems 12.1, 12.3, 12.4</i>
08	Wed. 2/17	Forrest Gump Case (Read <u>before class</u>)	
		Slides:	Session 08

9	Mon. 2/22	Product Costing Methods	Slides: Recommended Reading: Shaum's Outline <i>Shaum's Review Questions:</i>	Session 9 Chapter 4, pp. 63-66 <i>Chapter 4: Solved Problems 4.21, 4.22</i>
10	Wed. 2/24	Activity Based Costing I	Slides: Recommended Reading: Shaum's Outline <i>Shaum's Review Questions:</i>	Session 10 Chapter 13, pp. 335-338 <i>Chapter 13: Summary Questions 1, 3, 4, 5; Solved Problems 13.1, 13.2, 13.3 Question 7 on page 354</i>
11	Mon. 3/1	Activity Based Costing II	Slides: Recommended Reading:	Session 11 Activity Based Cost Systems; Customer-Driven Costs
12	Wed. 3/3	In-Class Case	Slides:	Session 12
13	Mon. 3/8	Competitive Cost Analysis	Slides:	Session 13
14	Mon. 3/15	Review	Slides:	Session 14
	Wed. 3/17	Exam 2 (in-class)		

Part 3: Forecasting Costs and Selecting Actions		
15	Mon. 3/22	Cost Estimation Slides: Session 15
16	Wed. 3/24	Budgeting I Slides: Sessions 16-17 Recommended Reading: Chapter 6 <i>Shaum's Outline</i> <i>Shaum's Review Questions:</i> <i>Chapter 3: Solved Problems 3.5, 3.7 (1a)</i> <i>Chapter 6: Solved Problems 6.1 – 6.17</i>
17	Mon. 3/29	Budgeting II Slides: Session 16-17
18	Wed. 3/31	Capital Budgeting Slides: Session 18 Recommended Reading: Chapter 9, pp.212-222 <i>Shaum's Outline</i> <i>Shaum's Review Questions:</i> <i>Chapter 9: Solved Problems 9.1 – 9.6, 9.9, 9.13, 9.14, 9.15, 9.20 (ignore IRR calculations)</i>
19	Mon. 4/5	Review Slides: Session 18
	Wed. 4/7	Exam 3 (in-class)
Part 4: Evaluating Performance		
20	Wed. 4/15	Responsibility Accounting Slides: Session 20 Chapters 7, 8 <i>Shaum's Outline</i> <i>Shaum's Review Questions:</i> <i>Chapter 7: Summary Questions 3, 5, 8, 14</i> <i>Chapter 8: Summary Questions 1, 2, 6, 7, 12, 14; Solved Problems 8.1, 8.2, 8.5, 8.6,</i>

			8.7, 8.8
21	Mon. 4/19	Common Costs and Transfer Pricing	
		Slides:	Session 21
		Recommended Reading:	
		Shaum's Outline	Chapter 8, pp.186-187
		<i>Shaum's 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>
22	Wed. 4/21	Variance Analysis I	
		Slides:	Session 22-23
		Recommended Reading:	
		Shaum's Outline	Chapter 7, pp.143-152
		<i>Shaum's Review Questions:</i>	<i>Chapter 7: Solved Problems 7.3, 7.4, 7.5, 7.7, 7.9 – 7.18</i>
23	Mon. 4/26	Variance Analysis II	
		Slides:	Session 22-23
		Recommended Reading:	
		Shaum's Outline	Chapter 8, pp. 186-187
24	Wed. 4/28	Review	
		Slides:	Session 24
	TBD	Exam 4	