Course Outline

Part 1. Fundamental Accounting Practices

Class 1. Monday, October 18
Conceptual Framework and Cost-Volume-Profit

Read: Zimmerman, Chapters 1 and 2
Introduction to Management Accounting
Cost-Volume-Profit Analysis
Cost Behavior

Questions: Goldman Sales mix, two products
Identification of Fixed and Variable Costs—Grocery store
Clay Company
Data collection issues—use regression (2 questions: 10–16 and 10–17. The data files “10-16.csv” and “10.17.csv” may be downloaded from the course web page.)

Problems: P2–20 Manufacturing Cost Classification
P2–21 Australian Shipping

Note: You should download and review the “Regression lesson” from
http://www.personal.psu.edu/sjh11/Courses/BA521/index.shtml

Online problem: Cell phone
Class 2. Wednesday, October 20  
Costing with and without constraints

Read: Zimmerman, Chapter 9  
Job Costing in Manufacturing  
Robin Cooper, (Jan/Feb 1989) “You Need a New Cost System When...” HBR No. 89102

Question: The Juice Problem—Relevant costs, contribution margin, product emphasis  
Perl Whiz  
Avas Catering

Case: Seligram, Inc.: Electronic Testing Operations

Note: You should download and review the “Linear programming lesson” from  
http://www.personal.psu.edu/sjh11/Courses/BA521/index.shtml

Online problems: Perl Whiz (again)  
Two constraints

Class 3. Monday, October 25  
Decisions and Relevant Costs

Read: Zimmerman, Chapter 3  
Caledonia: Ranking of capital budgeting projects, alternative selection methods, capital rationing  
NPV Schema  
Decisions and Relevant Costs

Caselet: Special Electric Company

Online problem: Time value of money

Class 4. Wednesday, October 27  
Capital Budgeting—Leasing, Taxes, Inflation, and Equilibrium

Read: Zimmerman, Chapter 5, section A only  
Capital Budgeting with Taxes and Inflation

Caselets: Diversified Electronics  
Real and Financial Assets

Online problem: Sheehan Copy Shop
Class 5. Monday, November 1  
Activity Based Costing, Management, and Pricing  
*Read:* Zimmerman, Chapter 11  
*Case:* Owens & Minor, Inc. (A)

Class 6. Wednesday, November 3  
Variance Analysis  
*Read:* Zimmerman, Chapters 12 and 13  
Standard Costing  
Actual, Normal, and Standard Costing  
Flexible Budgets and Standards  
*Caselet:* LSP Capsules  
*Case:* Midwest Ice Cream

Part 2. Decentralization, Motivation, and Self-Interest

Class 7. Monday, November 8  
Equity Compensation  
*Read:* Zimmerman, Chapter 4  
Executive Compensation  
Compensation Concepts  
Incentives and Managerial Compensation  
*Caselet:* Gamblers’R’Us

Class 8. Wednesday, November 10  
Transfer Pricing  
*Read:* Zimmerman, Chapter 5, section B only  
Transfer Pricing  
M. Edgar Barrett (May/June 1975) “Case of the tangled transfer price” HBR No. 77301  
*Question:* Anita Corporation: Multinational transfer pricing and taxation  
*Case:* Del Norte Paper Company
Class 9. Monday, November 15
Measuring and Improving Productivity

Read: Zimmerman, Chapter 14, section B only
Performance Evaluation

Read on line: Steve Stecklow (September 2, 1997) “Kentucky’s Teachers Get Bonuses, but Some Are Caught Cheating” Wall Street Journal
Timothy Aeppel (July 1, 2002) “Tricks of the Trade: On Factory Floors, Top Workers Hide Secrets to Success” Wall Street Journal

Case: Texas Eastman Co.

Class 10. Wednesday, November 17
Risk Management

Read: Risk Management

Read on line: Jeffrey Zaslow (October 10, 2002) “Accused but not Convicted” Wall Street Journal

Case: Kidder, Peabody & Co.: Creating Elusive Profits

Part 3. Organizational Design and Control

Class 11. Monday, November 29
Cost Allocation

Read: Zimmerman, Chapter 7
Allocations for Reasons External to the Firm
Joint Costs
Cost allocation example


Problem: 7–11 Encryption, Inc.
7–27 BFR Ship Building

**Caselet:** Spence and Co.
**Caselet:** GSB, Inc.

**Class 12.** Wednesday, December 1
Procurement

**Read:** Zimmerman, Chapter 8
Procurement Issues

**Skim on line:** Atul Gawande (June 1, 2009) “The Cost Conundrum: What a Texas town can teach us about health care”
The New Yorker

**Question:** Allocating costs of support departments; dual rates; cost justification (Rail and road)

**Listen:** This American Life Episode 392: Someone Else’s Money

**Case:** Stanford University (A)

**Class 13.** Monday, December 6
Ethics and Earnings Management

**Read:** Earnings Management

**Read on line:** James E. Copeland, Jr. Ethics as an Imperative, (March, 2005) Accounting Horizons 19, 1: 35–43
david Burgstahler and Ilia Dichev, (December 1997) “Earnings management to avoid earnings decreases and losses” Journal of Accounting and Economics 99–126. (extracts) **Note:** Study the figures closely.

Complaint in Civil Action No. 05-MK-480 (OES) SECURITIES AND EXCHANGE COMMISSION, v. JOSEPH P. NACCHIO et al. (extracts)

Susan Pulliam and Deborah Solomon (October 30, 2002) “Uncooking the Books: How Three Unlikely Sleuths Discovered Fraud at WorldCom” Wall Street Journal

**Caselet:** Nil Desperandum—Earnings management

**Online problem:** Earnings management

**Examination** 2:00–4:00 p.m. Wed., Dec. 8