

**STUART SCHOOL OF BUSINESS -- ILLINOIS INSTITUTE OF TECHNOLOGY**  
**SPRING SEMESTER 2009**  
**BUS 212 - 001**

**MANAGERIAL ACCOUNTING AND CONTROL**  
**TUESDAY/THURSDAY 1:50 PM - 3:05 PM**

**JOHN R. TWOMBLY, PhD, CPA**

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**HOURS: MTR, 3:30 PM - 4:30 PM,**  
**and by appointment.**

**Required Texts** Horngren, Sundem, Stratton, Burgstahler and Schatzberg (**HSS**). Introduction to Management Accounting (Chapters 1 -14). Pearson Prentice-Hall, Fourteenth Edition, 2008.

Harvard Business School (**HBS**) Four cases available from HBS.

**Web-Site:** [http://wps.prenhall.com/bp\\_horngren\\_ima\\_14](http://wps.prenhall.com/bp_horngren_ima_14) (Click on "Student Resources" button). This is a useful site for self-quiz material, solutions to some exercises, PowerPoint slides, etc.

### **COURSE DESCRIPTION**

**BUS 212, Managerial Accounting and Control**, is the sequel to BUS 211 and concentrates on the uses of accounting information within an enterprise for the following purposes: product costing; short-term and long-term decision-making; budgeting; control of operations; and performance evaluation. Cost-volume-profit relationships, relevant costs, cash flow forecasting, flexible budgets and standard costs constitute the major topical areas surveyed.

### **LEARNING OBJECTIVES**

The objective of **BUS 212** is to provide a broad-based exposure to the basic terminology, tools, and techniques of managerial accounting. Whereas **BUS 211** emphasized financial accounting and external *reporting*, the focus of **BUS 212** is on internal *decision-making*. The successful student should be able to discern the type of information that is needed in order to make a specific type of decision. He or she will be able to distinguish between costs or revenues that are relevant to a specific decision and those that are irrelevant.

More specifically, each student should be able to:

- Use C-V-P analysis (with multiple products and income taxes) to determine the effects of various actions on a company's income;
- Use basic Activity-Based Costing (ABC) to determine if products, or services, are priced appropriately;
- Focus on relevant revenues/costs in supporting various business decisions;
- Prepare a Master Budget and then (1) determine and (2) analyze variances from that budget;
- Explain how the manner in which results are reported can influence the behavior of managers and know the meaning of "Goal Congruence;"
- Determine the relevant after-tax cash flows for a proposed investment project; and
- Work within a group to apply the concepts of the course to various "real-life" (case) situations and submit cogent, well-reasoned analyses of (and recommendations for) those situations.

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METHODOLOGY

The primary instructional technique employed in this course is the lecture format, combined with discussion of the assigned problems and cases. Sometimes students will be required to present their solutions to problems or cases to the rest of the class. To obtain the maximum benefit from each class, students should complete the relevant reading and homework assignments **prior to class**.

## EVALUATION PROCEDURES

Course grades will be based upon performance on three of the four assigned cases (15% each), one midterm exam (20%) and a final exam (35%). Cases may be done in groups of no more than five and no less than three students. Only one copy of the case need be submitted so long as the name of each member of the group appears on the cover page. Only the performance on three of the four cases will count toward the final grade. If a group submits all four cases, I will only count the three highest grades. Cases are due at the beginning of class on the day indicated on the following pages. Class attendance and participation will be used to determine grades at the borderline (+ or -).

### **Americans with Disabilities Act (ADA) Policy Statement**

Reasonable accommodations will be made for students with documented disabilities. In order to receive accommodations, students must obtain a letter of accommodation from the Center for Disability Resources (CDR) and make an appointment to speak with me as soon as possible. My office hours are listed on the first page of this syllabus, which is also posted on Blackboard. The CDR is located in the Life Sciences Building, room 218, 312-567-5744 or [disabilities@iit.edu](mailto:disabilities@iit.edu).

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**COURSE OUTLINE**

<b>Meeting #</b>	<b>Date</b>	<b>Topic</b>	<b>Read</b>	<b>Do Problems</b>
1	Jan. 20 (T)	Introduction to Managerial Accounting	Chapter 1	None.
2	Jan. 22 (R)	Problems from Chapter 1	Chapter 1	A1, A2, 33, 48, 51.
3	Jan. 27 (T)	Cost Behavior and C-V-P Analysis	Chapter 2	None.
4	Jan. 29 (R)	Problems from Chapter 2	Chapter 2	A2, 27, 34, 36, 42, 48, 53.
5	Feb. 3 (T)	C-V-P, Sales Mix, & Taxes	Appendix 2A Appendix 2B	None
6	Feb. 5 (R)	Problems from Appendices 2A and 2B	Chapter 2	54, 57, 59, 62, 63.
7	Feb. 10 (T)	Measurement of Cost Behavior	Chapter 3 Appendix	None.
8	Feb. 12 (R)	Problems from Chapter 3	Chapter 3	32, 45, 52, 55.
9	Feb. 17 (T)	Cost Management Systems and ABC	Chapter 4 Appendix	None.
10	Feb. 19 (R)	Problems from Chapter 4	Chapter 4	B2, 37, 39, 43, 51, 52, 53.
11	Feb. 24 (T)	Relevant Information: Marketing Decisions	Chapter 5	None.
12	Feb. 26 (R)	Problems from Chapter 5	Chapter 5	B1, 35, 40, 54, 56.
13	Mar. 3 (T)	Relevant Information: Production Decisions	Chapter 6	None.
14	Mar. 5 (R)	Problems from Chapter 6	Chapter 6	32, 33, 34, 36, 38, 47, 52.
15	Mar. 10 (T)	Catch-up, Review		
16	Mar. 12 (R)	Review for Midterm	Chapters 1 - 6	All Prior Problems
<b>16</b>	<b>Mar. 12 (R)</b>	<b>Turn-In: First Case (Best 3 of 4)</b>		
	*	<b>IIT Spring Break</b>		
17	Mar. 24 (T)	<b>Mid-term Examination (20% of course grade)</b>		
18	Mar. 26 (R)	The Master Budget	Chapter 7 Appendix	None.
19	Mar. 31 (T)	Problems from Chapter 7	Chapter 7	28, 32, 39, 40.
20	Apr. 2 (R)	Flexible Budgets and Variance Analysis	Chapter 8	None.
21	Apr. 7 (T)	Problems from Chapter 8	Chapter 8	28, 29, 30, 31, 32, 35, 44.
<b>21</b>	<b>Apr. 7 (T)</b>	<b>Turn-In: Second Case (Best 3 of 4)</b>		
22	Apr. 9 (R)	Control Systems: Responsibility Accounting	Chapter 9	None.

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<b>Meeting #</b>	<b>Date</b>	<b>Topic</b>	<b>Read</b>	<b>Do Problems</b>
23	Apr. 14 (T)	Problems from Chapter 9	Chapter 9	A1, B1, 34, 47.
24	Apr. 16 (R)	Control in Decentralized Organizations	Chapter 10	A2, B1, B3, 35, 36, 42.
25	Apr. 21 (T)	Cost Allocation	Chapter 12	None.
26	Apr. 23 (R)	Problems from Chapter 12	Chapter 12	B2, 32, 36, 37, 49..
27	Apr. 28 (T)	Accounting for Overhead Costs	Chapter 13	None.
<b>27</b>	<b>Apr. 28 (T)</b>	<b>Turn-In: Third Case (Best 3 of 4)</b>		
28	Apr. 30 (R)	Problems from Chapter 13	Chapter 13	38, 39, 41, 42, 47, 60.
29	May 5 (T)	An Introduction to Capital Budgeting	Chapter 11 Appendix	None.
30	May 7 (R)	Problems from Chapter 11	Chapter 11	A1, A5, B5, 41, 50, 55.
<b>30</b>	<b>May 7 (R)</b>	<b>Turn-In: Fourth Case (Best 3 of 4)</b>		
*	May 8 (F)	<b>Review Session (TBA)</b>		
<b>31</b>	<b>May 11 -16</b>	<b>Final Examination</b>	<b>Prior Work</b>	
	<b>(Consult the University-Wide Examination Schedule for the date and time of the Final Examination)</b>			

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**Required Case Submissions:**

Cases: Your solutions to the cases should be e-mailed to me no later than the start of class on the due date, or hard copy may be delivered to me at the opening of class on the due date. I prefer hard copy from those groups who have a member attending the live session of the class.

**Case URL:** <http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c22753>

(The required cases are available here. Each student must purchase all of these cases. Harvard Business Online compares enrollment to purchases, and I will monitor your purchases as well. This is a much less expensive alternative than other options.)

- **Case #1: Precision Worldwide, Inc. (HBS #9-197-103). Answer the question in the case. Be sure to consider all possible alternatives and focus only on the relevant costs/revenues.**
  
- **Case #2: Dakota Office Products (HBS #9-102-021). Answer the questions below:**
  1. Why was Dakota's existing pricing system inadequate for its current operating environment?
  2. Develop an activity-based cost system for Dakota Office Products (DOP) based on Year 2000 data. Calculate the activity cost-driver rate for each DOP activity in 2000.
  3. Using your answer to Question 2, calculate the profitability of Customer A and Customer B.
  4. What explains any difference in profitability between the two customers?
  5. What are the limitations, if any, to the estimates of the profitability of the two customers?
  6. Is there any additional information you would like to have to explain the relative profitability of the two customers?
  7. Assume that Dakota applies the analysis done in Question 3 to its entire customer base. How could such information help the Dakota managers increase company profits?
  8. Suppose that a major customer switched from placing all its orders manually to placing all its orders over the Internet site. How should this affect the activity cost-driver rates calculated in Question 2? How would the switch affect Dakota's profitability?
  
- **Case #3: Mile High Cycles (HBS #9-191-056). Answer the questions in the case.**
  
- **Case #4: Wilkerson Co. (HBS #9-101-092). Answer the questions below:**
  1. What is the competitive situation faced by Wilkerson?
  2. Given some of the apparent problems with Wilkerson's cost accounting system, should executives abandon overhead assignment to products entirely by adopting a contribution margin approach in which manufacturing overhead is treated as a period expense? Why or why not?
  3. How does Wilkerson's existing cost system operate? Develop a diagram to show how costs flow from the factory cost accounts to products.
  4. Develop and diagram an activity-based cost model using the information in the case. Provide your best estimates about the cost and profitability of Wilkerson's three product lines. What difference does your cost assignment have on reported product costs and profitability? What causes any shifts in cost and profitability?
  5. Based on your analysis for Question 4, what actions might Wilkerson's management team consider to improve the company's profitability?
  6. What concerns, if any, do you have with the cost estimates you prepared in the answer to Question 4? What other information or analysis would you want for better cost and profitability estimates?
  7. Wilkerson has been compensating salespersons with commissions on their gross sales volumes (less returns). Parker wonders whether the company should change this incentive system. What do you think?