

**THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS**

**School of Business
Course Code and Title: BUSI0028 – Management Accounting II
2009-2010 First Semester**

I. Information on Instructor and Tutor

Instructor: Associate Professor Neale O'Connor

Office: MW 729I; **Office Tel:** 2241-5664

Office Hours: Wednesday 9:30 – 12:30 PM; other times by appointment only

Instructors for Tutorial Session:

Cassandra Ho (Office Tel: 2241 - 5244; email: hokc@business.hku.hk)

Prerequisite: BUSI0027 Management Accounting I

Primary Textbook:

1. Horngren, Datar and Foster, Ittner, Rajan, Cost Accounting: A Managerial Emphasis, **Thirteenth edition**, Pearson Publishing, 2008.

Secondary textbook:

2. O'Connor, N.G. Management Control of Multinational Enterprises in China: A Contracting and Management Accounting Perspective, McGraw-Hill, 2006.

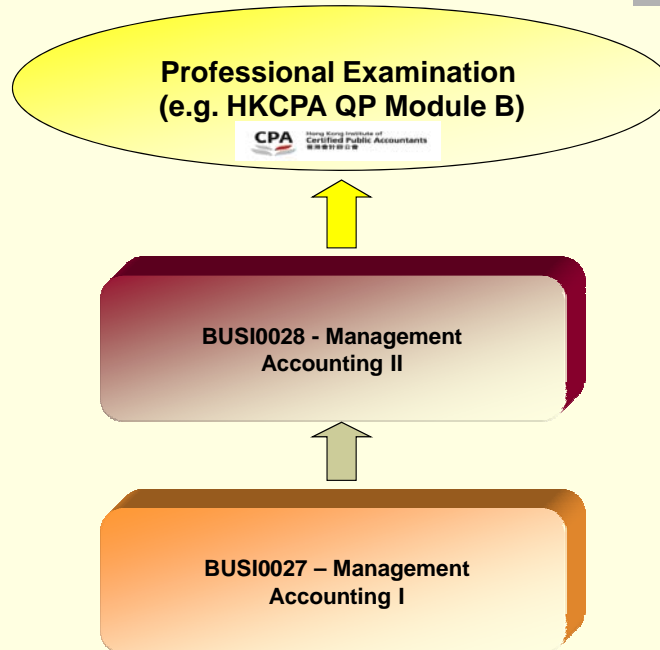
II. Course Description and Objectives

In addition to introduce business processes and analysis, this course covers an in depth discussion of traditional and contemporary approaches to product costing, cost allocation and cost management systems as well as performance measurement issues in a decentralized organization. For each cost management topics, the course examines the development, measurement, analysis, validation and communication of financial and non-financial information.

- Course objectives
- Provide students with advanced concepts in management accounting and the usefulness of internal accounting system;
 - Identify and measure various types of product cost for different purposes
 - Understand the traditional and contemporary approaches in assigning overhead costs and their effects on measuring cost objects (e.g., products, services)
 - Learn the concepts of value chain analysis, life cycle costing and Activity-Based Management and their applications
 - Evaluate the traditional and contemporary approaches to measuring performance
 - Develop financial and non-financial performance measurements for implementing Balanced Scorecard
 - Practice the use of spreadsheet skill and quantitative tools in solving cost management problems
- Provide students with the capability to apply knowledge in decision-making scenarios using a simulation game;
- Develop students' communication skills.

II. Course Description and Objectives (continued)

How are management accounting courses related to your future professional examination!



HKCPA QP (Module B – Financial Management)

MODULE B SYLLABUS – FINANCIAL MANAGEMENT

Fields included:

- *Management Accounting*
- *Financial Management*

Major topics include:

- Strategy formation process
- Short-term operating decisions (e.g. CVP analysis)
- The structure and documentation of operational budgets
- Performance indicators and measures (e.g. transfer pricing)
- Operational, financial and strategic measures of performance
- Assessment of the control elements of organizational systems
- Cost measurement and analysis in service and manufacturing
- Project appraisal techniques and processes

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III. Learning Outcomes

On completion of this course, students will be able to:

ILO1. Able to explain the contemporary business environment (examples include)

1. Explain and distinguish the differences between the old environment and the new business environment
2. Explain and distinguish the costs and benefits of management accounting and control systems
3. Explain and distinguish the difference between economies of scale and economies of scope and how they are related to the benefits of activity based costing
4. Explain and distinguish the different focus on processes, people and the customer
5. Explain and distinguish the difference between influencing and facilitating decisions
6. Understand the ethical dilemmas faced by management accountants.

ILO2. Able to explain and apply service department cost allocation approaches for decision making

7. Explain and distinguish the reasons for cost allocation
8. Explain and distinguish between the cost allocation principles – the basis of cost allocation
9. Match the reason for cost allocation with the basis of cost allocation
10. Able to recall the traditional and contemporary approaches in assigning overhead costs and their effects on measuring cost objects (e.g., products, services)
11. Apply cost allocation principles to the allocation of service dept costs
12. Suggest strategies for using multiple cost allocation bases in the same firm
13. Compare and contrast the information and incentive problems associated with different cost allocation bases

ILO3. Able to apply activity based management, value chain analysis, and cost of quality approaches for cost control and decision making

14. Distinguish between activity based costing and activity based management
15. Apply value chain analysis to find costs for the purposes of determining customer profitability, supplier cost reasonableness or product design costs
16. Able to use cost allocation to measure customer profitability, supplier cost reasonableness, and product design costs.
17. Able to distinguish between value chain analysis, process innovation and process reengineering
18. Able to draw a value chain of a firm that shows value-added and non-value-added activities
19. Able to use a root cause diagram to understand the activity improvement opportunities
20. Able to compute the costs of non-value added activities
21. Able to develop performance measures that fit various types of activities in the value chain
22. Able to categorize the various quality costs of the firm for assessing the quality performance of the firm
23. Able to recall and calculate the measures used to evaluate the ability of the firm to compete on time

ILO4. Able to explain and account for the implementation of Strategy

24. Compare and contrast the four phases of building a strategy
25. Apply the strategy model to assess a firms strategic competitive advantage
26. Prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm
27. Compare and contrast the four balanced scorecard perspectives
28. Recall and describe the principles of the balanced scorecard
29. Recall and describe the benefits of the balanced scorecard
33. Evaluate the implementation issues associated with the balanced scorecard and how to overcome these
30. Make decisions based on understanding the causal business model of the firm and related financial and non-financial performance measures.
31. Interpret the output of the simulation game play with respect to the principles of the balanced scorecard

ILO5. Able to develop and apply management control systems for different purposes

32. Able to distinguish between the three responsibility centre approaches – activity, functional and strategic
33. Compare and contrast the controls used in the three types of responsibility centers
34. Able to assess the strengths and weaknesses of decentralization
35. Able to explain the logic of knowledge transfer costs and agency costs in the firm
36. Evaluate the pros and cons (strengths and limitations) of different control mechanisms with respect to the firm environment
37. Explain how an input/output process model can be used to develop performance measures
38. Able to develop performance measures to fit the strategy map of a firm.
39. Evaluate the pros and cons (strengths and limitations) of different transfer pricing approaches
40. Able to apply transfer pricing methods to solve control (interdependency), make or buy and outsourcing problems.

IV. Alignment of Program and Course Outcomes

A matrix is one way to indicate the relationship between the learning outcomes for the course and the learning outcomes for the program.

Program Learning Outcome	Course Learning Outcome
1. Acquisition and internalization of knowledge of accounting, business and economics	ILO 1 & 2
2. Application and integration of knowledge	ILO 3
3. Inculcating professionalism and leadership	ILO 1, 3 & 4
5. Mastering communication skills	ILO 4

V. Teaching and Learning Activities

Teaching Format and Pedagogy		
	Management Accounting I	Management Accounting II
Format	3 hours mass lecturing plus one-hour tutorial	2 hours mass lecturing, one-hour group-based case presentation and discussion plus one-hour tutorial
Other Learning Activities	In-class exercises, discussions, video, business case report, mid-term and final examination	In-class exercises, discussions, group-based presentation (20 minutes) , simulation game , mid-term and final examination

V. Teaching and Learning Activities (continued)

The course content will combine the three basic components: Theory, Case study and Simulation. These three components attempt to substitute for real world experience so as to best prepare you for your real world experience. Most undergraduate courses comprise theory and case study methods, but this is one of the few courses (in Hong Kong) that include simulation method, which allows students to test their learning in a model of a typical business.

TLA1. Situation: Interactive lectures

Advanced knowledge of cost accounting and management accounting is presented with Powerpoint slides.

- In-class exercises: basic concepts and techniques are illustrated using examples. Students work along with the lecturer to solve the problems. These exercises help students follow the lectures closely and actively.
- In-class discussions: sometimes discussion questions are raised by the lecturer. Students are encouraged to participate in discussions and share opinions with their peers. These discussions encourage students to think more for certain arguable topics.
- Concept map: at the end of some sessions, the lecturer use concept maps to provide an overview of the various topics covered and to demonstrate the inter-chapter links.

Major focus: ILOs 1 and 2; Minor focus: ILO3.

TLA2. Situation: Tutorials

Practice questions and selective assignments are covered.

- Weekly tutorial assignments: assignments that reflect concepts and techniques learned are assigned to students every week. Students are expected to complete these assignments on an individual basis. These assignments give students practice opportunities.
- In-class interactive activities: students are required to participate in-class exercises, class discussions, and present their answers to peers, etc.

Major focus: ILOs 1 and 2; Minor focus: ILO 3 and 4.

TLA3. Situation: Case study and computer simulation workshops

- Group discussions: students are divided into groups to finish the case project. Group members meet to discuss the case, work on the case as a team and contribute jointly to the written report for timely submission.
- Lecturer and tutor consultations: each lecturer (tutor) provides 3 (4) hours of consultation weekly to address students' questions and doubts related to the course.
- Computer simulation game: students will assume the role of a manager in a business simulation game; will make decisions based on feedback given by various types of performance measures; students will present their learning of the game as part of the small group discussion.

Major focus: ILOs 3 and 4; Minor focus: ILO 2.

VI. Assessment

AT1. Tutorial Attendance and Assignments (10%)

Students are required to attempt selected assignments and submit them to your demonstrator. She/He will mark them accordingly. You are also expected to participate actively in tutorials. Quietly sitting in the tutorials does not count, but of course absenteeism from class will negatively affect the performance. Participation and assignments are evaluated per student by the demonstrator. The objective of the tutorials is to help you digest and apply the knowledge you have learned from the classes.

Focus: ILOs 1, 2, & 4.

AT2. Computer Simulation Exercise (10%)

Students will pilot a firm through 17 quarters of decision making with the help of a balanced scorecard system of financial and non-financial performance measures. Each week – students will be introduced to successive concepts such as systems thinking and causal relationships between various decisions that are made. The course of the game will take 5 hours over five weeks. Students will be asked to present their learning to the class after reflecting on their performance in the game. The objective of the computer simulation is to help students to apply their knowledge on performance measurement and make real life decisions in the firm.

Focus: ILOs 3.

AT3. Case Analysis and Presentation (15%)

The problem-based group project is a comprehensive case study of budgeting and variance analysis. Students will form groups of four people and the case is done on a group basis. Any reports missing the deadline will not be accepted, hence no marks are earned. Details of requirements will be given later. The objective of this group project is to help you develop the ability of teamwork and apply management control techniques to the case under study.

Each group will be assigned a case to analyze and present. Once the case is assigned, each group should meet to analyze the case, assign responsibility for the case and present the case in class on the date indicated on the Course Outline. In the 20-minute group presentation, the group needs to present a brief summary of the case background, the case issues, the group's solutions to the case and lessons learned. At the end of the presentation, please submit all your presentation materials/notes for grading.

Presentation Evaluation

A Presentation Evaluation Form listing the evaluation criteria will be distributed prior to each group case presentation. The non-presenting groups will have to do an evaluation of the presenters by completing the Form after each presentation. Completion of this Presentation Evaluation Form is a **group activity** and group members should discuss before completing the form.

Peer evaluation

25% of the group grade will be assigned based on the peer evaluation. You should provide the most candid evaluation of each of your group members. The evaluation will be submitted to me directly and will be kept confidential. If necessary, a peer evaluation of each member of a group will be conducted during the semester. This is the only opportunity for you to evaluate the contribution of each of your group members. As

Focus: ILOs 2 & 4.

AT4. Mid-term Exam (15%) and Final Exam (50%)

The midterm exam will be held before the mid semester break, covering most of the first five weeks of teaching. The final examination will be held in the normal exam period. It is closed book, comprehensive and covers all the chapters on the course syllabus, with more attention given to the chapters taught after the midterm break. There is **NO MAKEUP** test! The objective of the final exam is to further enhance your understanding of the basic concepts and theories and develop your ability to apply the knowledge in business situations.

Focus: ILOs 1, 2, 3.

VII. Standards for assessment

Tutorial Attendance and Assignments (AT1)

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILO1,2,&4	<p>Able to correctly solve the assigned problem sets and present the solutions in a logically clear and concise manner.</p> <p>Able to actively participate in class discussions and contribute to the class discussions /presentations by unique thoughts/remarks.</p>	<p>Able to correctly solve the assigned problem sets and present the solutions in a logically clear and concise manner.</p>	<p>Able to correctly solve most of the assigned problem sets and present the solutions in understandable way.</p>	<p>Able to correctly solve limited problem sets.</p>	<p>Frequent absence from the tutorials and failure to submit the required assignments.</p>

Computer Simulation Exercise (AT2)

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILO1, 3	<p>Able to complete the game with the highest profit</p>	<p>Able to complete the game with the medium profit</p>	<p>Able to complete the game with below average profit</p>	<p>Unable to complete the game</p>	<p>Failure to attend the classes; Failure to relate relevant concepts with real-life situations;</p>

Case Analysis and Presentation (AT3)

ILO	Content	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILO1, 3,&5	<p>Each group is given a framework by which they will analyze a case and then each group is required to analyze the case using the framework</p>	<p>Able to precisely prepare the required framework for the given case</p>	<p>Able to correctly prepare the required framework for the given case</p>	<p>Able to correctly prepare most of required framework for the given case</p>	<p>Unable to prepare required framework for the given case</p>	<p>Failure to meet a majority of the requirements; Or failure to submit the project on time.</p>

Mid-term and Final Exam (AT4)

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILO1,2, 3,4,&5	<p>Able to explain in a true way the contemporary business environment</p> <p>Able to explain in a true way cost concepts, and analyze different activity and service department costing methods for decision making.</p> <p>Able to prepare in a true way a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm</p> <p>Able to distinguish in a true way between the three responsibility centre approaches – activity, functional and strategic - and compare and contrast the controls (incl transfer pricing) used in the three types of responsibility centers</p> <p>Able to present solutions and thoughts in a logically rigorous way.</p>	<p>Able to precisely explain the contemporary business environment</p> <p>Able to precisely explain cost concepts, and analyze different activity and service department costing methods for decision making.</p> <p>Able to precisely prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm</p> <p>Able to precisely distinguish between the three responsibility centre approaches – activity, functional and strategic - and compare and contrast the controls (incl transfer pricing) used in the three types of responsibility centers</p> <p>Able to present solutions and thoughts in an easily readable way.</p>	<p>Able to briefly explain the contemporary business environment</p> <p>Able to briefly explain cost concepts, and analyze different activity and service department costing methods for decision making.</p> <p>Able to briefly prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm</p> <p>Able to briefly distinguish between the three responsibility centre approaches – activity, functional and strategic - and compare and contrast the controls (incl transfer pricing) used in the three types of responsibility centers</p>	<p>Able to briefly explain the contemporary business environment</p> <p>Able to briefly explain cost concepts, and analyze different activity and service department costing methods for decision making.</p> <p>Able to briefly prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm</p> <p>Able to briefly distinguish between the three responsibility centre approaches – activity, functional and strategic - and compare and contrast the controls (incl transfer pricing) used in the three types of responsibility centers</p>	<p>Failure to explain the contemporary business environment</p> <p>Failure to explain cost concepts, and analyze different activity and service department costing methods for decision making.</p> <p>Failure to prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm</p> <p>Failure to distinguish between the three responsibility centre approaches – activity, functional and strategic - and compare and contrast the controls (incl transfer pricing) used in the three types of responsibility centers</p>

Continuous Assessment: (50%)

Group work:

- | | |
|-----------------------------------|-----|
| 1. Case Analysis and Presentation | 15% |
| 2. Computer simulation exercise | 10% |

Individual work:

- | | |
|--|-----|
| 1. Attendance & in-class participation in Lecture and Tutorial | 10% |
| 2. Midterm Examination | 15% |

Comprehensive Final Examination (50%)

50%

TOTAL

100%

VIII. Academic Conduct

Class Conduct

RESPECT YOUR INSTRUCTORS AND YOUR FELLOW STUDENTS! BE CONSIDERATE TO OTHERS!

Students are required to attend all classes (Lecture, Small group discussion and Tutorial sessions) **on time** and should not enter the classroom 15 minutes after the class scheduled starting time. If you have to leave the class early, please inform the instructor before the class begins. Please sit near the door and exit quietly. If you fail to inform the instructor before you leave, no credit will be given for your class attendance.

Please observe the following class rules when the class is in session:

1. Do not talk to your fellow students
2. Do not read newspaper or magazine
3. Do not use your hand phone (please turn off your hand phone and beeper)
4. Do not eat or drink in class
5. Do not leave the class without permission

Any violation of these class rules will be subject to point reduction (e.g., 1% for each violation) and possible dismissal from the class.

Academic dishonesty

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>

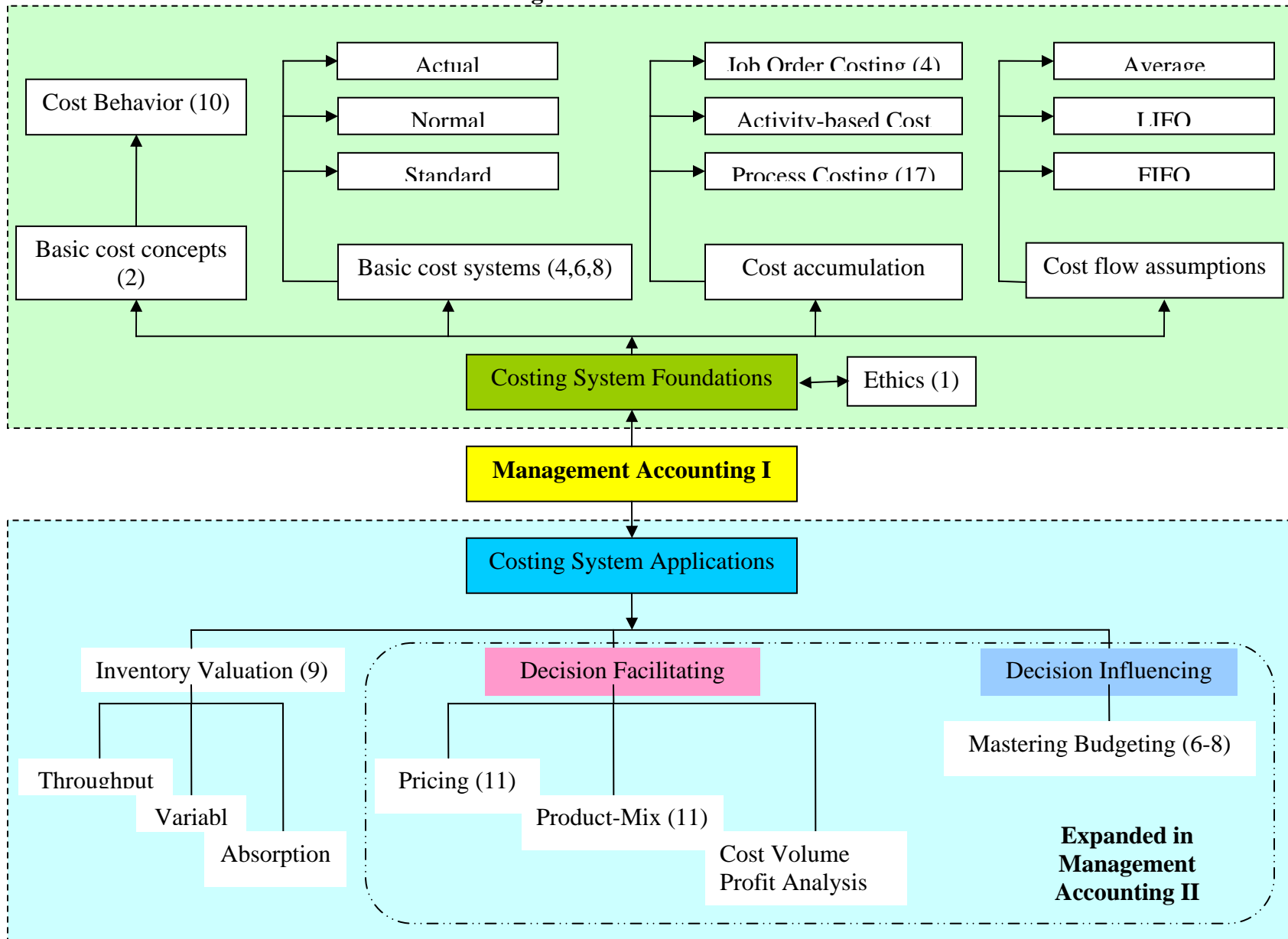
Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

- a. Plagiarism - The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be **acknowledged**.
- b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one's own when in fact it is the result of a joint effort.
- c. Cheating on In-Class Exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.
- d. Unauthorized Advance Access to an Exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

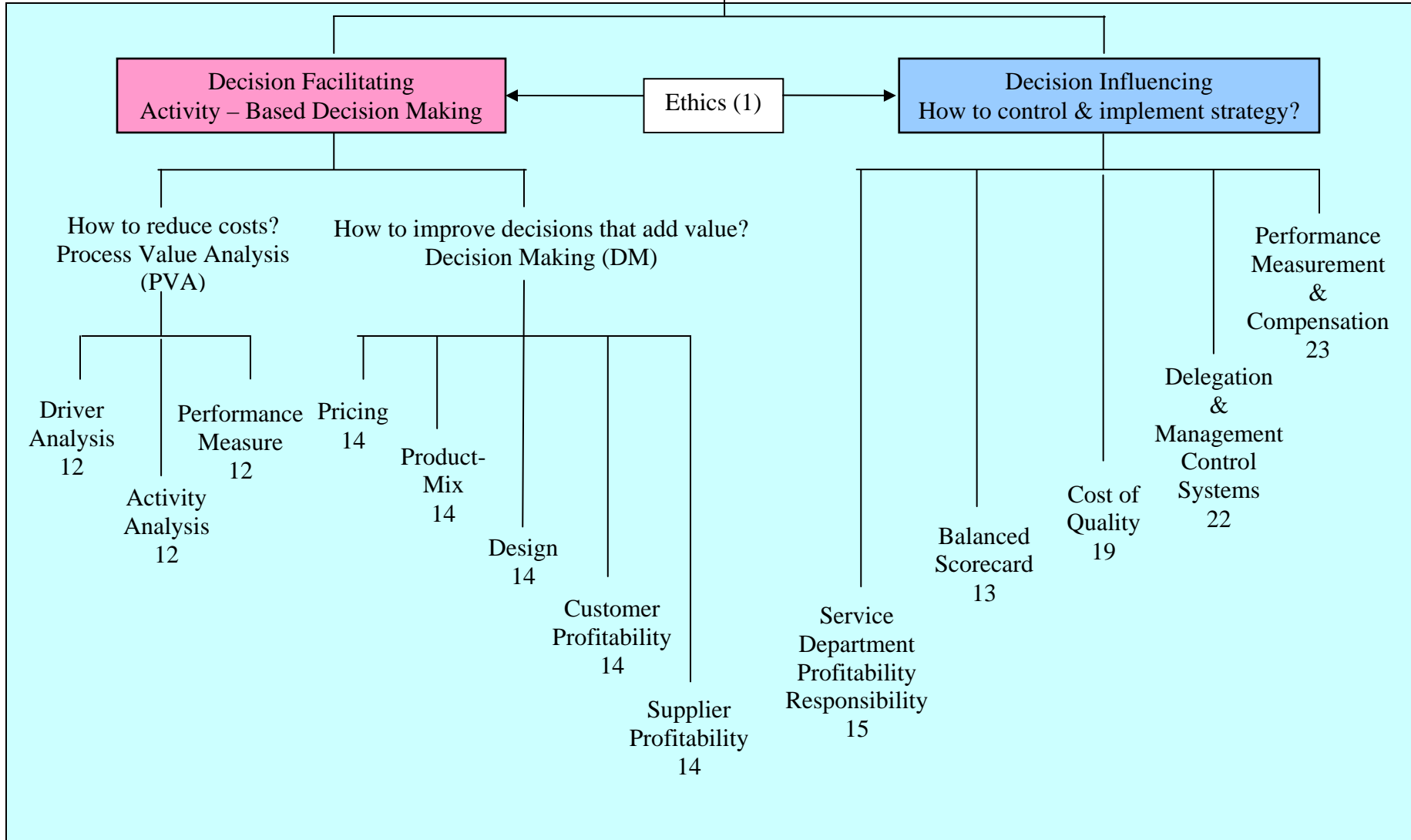
Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;
2. The relevant Board of Examiners may report the candidate to the Senate, where there is *prima facie* evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

Figure 1. Course Structure



Management Accounting II



IX. COURSE SCHEDULE

BUSI 0028 Management Accounting II
Associate Professor Neale O'Connor

WEEK # (Meeting Date)	CHAPTER	LECTURING TOPICS	SMALL GROUP DISCUSSION EVERY TUESDAY	HOMEWORK ASSIGNMENT for the Following Week TUTORIAL DISCUSSION
<i>PROCESS – WHAT DRIVES COSTS?</i>				
1 (1/9, 3/9)	HGN – 5	Activity-based Management	Assessment Rules of engagement Select groups	HGN E5-23: ABC, product line profitability E5-25: Cost driver rates, cross-subsidization P5-35: ABC, ABM P5-38: ABC, unit-cost comparisons
2 (8/9, 10/9)	HGN - 12	Process value analysis HGN - 12 (p. 462 – 467) LO4	Practice case: TSL Jewellery Ltd – Activity-based Costing	HGN E12-19: value-added, non-value-added costs E12-20: target operating income, value-added costs E12-21: target prices, target costs, ABC P12-29: target prices, target costs, value engineering, locked in costs, ABC
3 (15/9, 17/9)	HGN -14	Customer Profitability Analysis - Supplier profitability - Customer profitability - Product design choice - Product pricing choice - Sales variance analysis Article # 1 – Human Resource Costing	Case #1 – Craik Veneer Company (Cost allocation) Case #2 – Mercedes- Benz (Product design & target costing) (Backup case - Sanyung Ltd)	HGN E14-20, E14-30: customer profitability E14-32: variance analysis, sales-mix, and sales-quantity variances E14-33: market-share and market-size variances

4 (22/9, 24/9)	HGN-14 HGN-15	Cost allocation Allocation of support dept costs, common costs, and revenues Article #2 – <i>Management of Information Systems: Insights from Accounting Research (section on Chargeback)</i>	Case #3 – GMPHS Drilling & Plumbing (Customer profitability) Case #4 – Dakota Office Products (Customer profitability)	HGN E14-16: cost allocation in hospitals E14-18: cost allocation to divisions E15-17: single-rate method, budgeted versus actual costs and quantities E15-19: support-department cost allocation; direct and step-down methods
5 (29/9)	HGN - 21	Capital Budgeting and Cost Analysis Article #3 - <i>Controlling the cost of plastic</i>	Case #5 – Independent Underwriters Insurance Co. Case #6 – Phuket Beach Hotel (Capital budgeting) (Backup case - Bernard Watch Company)	HGN E21-21: comparison of projects, no income taxes E21-24: new equipment purchase, income taxes P21-32: replacement of a machine, income taxes, sensitivity P21-33: NPV and AARR, goal-congruence issues P21-34: recognizing cash flows for capital investment projects
6 (8/10)		Two Hours Midterm Examination (Chapters 5, 12, 14, 15, 21)	No class	
7		Reading/Field Trip Week Break October 12-17		

CUSTOMER – WHAT IS OUR VALUE PROPOSITION? PEOPLE – HOW TO MOTIVATE AND ALIGN THE INTERESTS OF EMPLOYEES?				
8 (20/10, 22/10)	HGN -13	Introduction to Strategic Cost Management Article #4 - <i>Using the Balanced Scorecard to Manage Intangible Assets in a Sino-Foreign Joint Venture</i> Article #5 - <i>Map business strategy and develop performance measures that matter: Developing a strategy map</i>	Begin work on BSC game	HGN P1-25: strategic decisions and management accounting Q13-1: define strategy Q13-6: key perspectives in BSC Q13-12: difference between engineered cost and discretionary cost E13-16: BSC E13-17: analysis of growth, price-recovery, and productivity components E13-22, E13-26: strategy, BSC E13-27: strategic analysis of operating income
9 (27/10, 29/10)	HGN-19	Balanced Scorecard: Quality Time, and Theory of Constraints	BSC game – round 1	HGN E19-17: costs of quality analysis E19-22: waiting time, service industry E19-25: theory of constraints, throughput contribution, relevant costs P19-31: waiting times, manufacturing lead times P19-37: quality improvement, Pareto diagram, cause-and-effect diagram
10 (3/11, 5/11)	HGN-22	Management Control Systems, Transfer Pricing and Multinational Considerations	BSC game – round 2	HGN E22-18: decentralization, goal congruence, responsibility centers E22-22: transfer pricing, general guideline, goal congruence E22-25: transfer pricing dispute
11 (10/11, 12/11)	HGN-22	Transfer pricing	BSC game – round 3	HGN E22-21, P22-30: effects of alternative transfer-pricing methods on division operating income P22-31: goal-congruence problems with cost-plus transfer-pricing methods, dual-pricing system

12 (17/11, 19/11)	HGN-23	Performance Measurement, Compensation and Multinational Considerations	BSC game - round 4 Summary of learning points	HGN E23-22: ROI, RI, EVA P23-29: evaluating managers, ROI, DuPont method, value-chain analysis of cost structure P 23-32: ROI, RI, DuPont method, investment decisions, BSC P23-34: executive compensation, BSC P23-35: ethics, manager's performance evaluation
13 (24/11, 26/11)		Review For Final Examination		
14		Revision Period (Nov 30 to Dec 5)		
		Comprehensive Final Examination (3 hours)		