

**UNIVERSITY OF PITTSBURGH  
Katz Graduate School of Business**

**MANAGERIAL ACCOUNTING  
BACC 2528**

**Spring 1 (2014)  
Tuesdays: 6:20 p.m. - 9:20 p.m. – B75 Mervis**

**INSTRUCTOR:**

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**SECRETARY:**

Mr. Chris Gursky  
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**OFFICE HOURS:** M/T/W: 5 p.m. – 6 p.m. and by appointment.

**COURSE OBJECTIVES:** Enormous changes have recently taken place in the field of management accounting. Today, management accountants, in contrast to their traditional role as scorekeepers, must play a much more central role in the management and control of operations. With the increase in global competition, the information produced by management accounting systems must also support both operational and strategic needs of the enterprise. In addition, management accountants must provide timely feedback on employees' performance enabling them to learn from the recent past so that they may improve for the future. This course will provide an introduction to the basic principles of management accounting and the issues confronting managers and management accountants today. The primary emphasis of the course will be on the use of accounting information for *internal* organizational decision-making and this will complement your coursework in Financial Accounting, where the primary focus was the preparation of accounting information for *external* users. This course covers the mechanics of cost accounting, fundamental issues in the design of cost systems, budgeting, and the role of management accounting information in issues such as outsourcing, pricing, and product mix.

**REQUIRED TEXT AND SUPPLEMENTARY MATERIALS:**

- (1) Fundamentals of Cost Accounting. Lanen and Anderson and Maher, 3rd edition, McGraw Hill.
- (2) Harvard cases (3) to be obtained electronically thro' [hbsp.harvard.edu](http://hbsp.harvard.edu)

All course related materials such as lecture handouts, summary of topics, instructions for assignments will be available on BLACKBOARD (<http://courseweb.pitt.edu>).

### **CLASS DISCUSSION PROBLEMS:**

Solving problems is an excellent way to learn the material for this course. Therefore, I have assigned problems for discussion in class. However, these will not be collected. I recommend that you work on the assigned class discussion problems before class. Mastery of the materials is not essential for class preparation, but a sufficiently detailed study to gain familiarity with the issues and data is expected. This will enable you to participate in class discussions. I will randomly call on you to assist in solving problems assigned for class discussion. This will count towards the grade for class participation. The review opportunity afforded by reading and written assignments must be utilized, because lack of learning will manifest itself in the examinations. Solutions to problems will be made available on CourseWeb after class discussion.

### **CASE ANALYSES:**

We will cover three cases in this course. You may be randomly called to provide solutions to the case questions during discussions. The cases are potential candidates for exam questions. The case analyses are short answers to specific questions. Executive summaries are not required. The written case analyses are due at the beginning of class on the date assigned. You can work in groups consisting of a maximum of **four** members. You are responsible for group formation by self-selection and groups once formed cannot be changed later. For cases submitted by a group, each member will be assigned the group grade. Your final grade will be partly determined by peer evaluation of your contribution (by your group members) to the group effort (5%). Discussion between groups is not permitted for case analyses.

### **CLASS PARTICIPATION:**

This course moves quickly and it is **very important to keep up with the material from the beginning**. In order to succeed in this course, you should attend class regularly, complete your reading assignments and reading of class discussion problems **before class**, and participate during class sessions. Because your input is such a valuable part of the class environment, participation carries **10% of your final grade**. Credit for class participation will depend to a great extent on active and thoughtful comments on discussion topics and cases. Your participation grade will be based on my assessment of your input.

### **GRADING: Your final grade will be determined as follows:**

|  |     |
|--|-----|
| Class Participation (Individual)                         | 10% |
| Case write-ups (Group or Individual)                     | 30% |
| Comprehensive Open-Book In-Class Final Exam (Individual) | 55% |
| Peer Evaluation  | 5%  |

**DISABILITY:**

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and Disability Resources and Services, 216 William Pitt Union, (412) 648-7890/(412) 383-7355 (TTY) as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.

**ACADEMIC INTEGRITY:**

The highest order of academic integrity is expected of all students on exams and written assignments. You are encouraged to work in teams of up to five students on written assignments, but keep in mind that you have to take the exams alone. Discussion between groups is not permitted for case analyses.

## COURSE SCHEDULE

The course schedule listed below may be modified (if necessary) as the course progresses.

Session 1:     **January 6**

**Topic:**        Overview, Cost Terminology, Cost Flow

**Readings:**    Chapter 1, 2  
                  Problem 1-23  
                  Chapter 2  
                  Problems 2-32, 2-38, 2-39, 2-52, 2-57

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Session 2:     **January 13**

**Topic:**        Job Order Costing, Activity-Based Costing

**Readings:**    Chapter 6, 7  
                  Problems 6 - 31 - 34, 41, 42  
                  Problems 7- 20, 25, 30, 35, 39

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Session 3:     **January 20**

**Topic:**        Activity-Based Costing – continued, Cost Volume Profit Analysis

**Readings:**    Chapter 9  
                  Problems 9 – 24, 25, 37  
                  Chapter 3 (background reading Chapter 5)  
                  Problems 3 – 33, 35, 36, 41, 43, 50

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Session 4:     **February 4**

**Topic:**        **Destin Brass and Dakota Office Products Cases (write-up due)**  
                  Cost Volume Profit Analysis - continued  
                  Relevant Costs and Decision-Making

**Readings:**    **Time-Driven Activity Based Costing**  
                  Chapter 4  
                  Problems 4 – 36, 41, 42

Session 5: **February 11**

**Topic:** Relevant Costs and Decision-Making – continued, Budgeting and Planning

**Readings:** Chapter 4  
Problems 4 – 44, 47, 51, 56  
Chapter 13  
Problems 13 - 21, 41, 44

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Session 6: **February 18**

**Topic:** Budgeting and Planning – continued, Exam Review  
**Salem Telephone Company Case (write-up due)**

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**February 25 Final exam**

**MANAGERIAL ACCOUNTING**  
CASE QUESTIONS for WRITE-UP

DESTIN BRASS

Answer questions in the case.

SALEM TELEPHONE

Answer questions in the case

DAKOTA OFFICE PRODUCTS

- A. Why was Dakota's existing pricing system inadequate for its current operating environment?
- B. Develop an activity-based cost system for DOP based on year 2000 data. Calculate the activity cost-driver rate for the various DOP activities (identified by your group) in 2000.
- C. Using your answer to Question 2, calculate the profitability of customer A and customer B. What explains the difference in profitability (if any) between the two customers? What are the limitations, if any, of your analysis?
- D. 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 should the switch affect Dakota's profitability?