

THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS

School of Business
ACCT2105 (Subclass 2J)
Introduction to Management Accounting
2016-2017, Semester 2
Course Syllabus

Instructor: Prof. Guochang ZHANG

Email: acgzhang@hku.hk

Office: 1214, KK Leung Building

Consultation Time: 4-5pm on Wednesdays (or by appointment)

Tutor: Ms. Christina Ho

Email: cgyho@business.hku.hk

Office: KK 609

Tel: 3917 8341

Textbook: K. W. Braun and W. M. Tietz. *Managerial Accounting (Global Edition)*, 4/E. Pearson.

Course materials: Lecture PowerPoint slides and assignment solutions are posted on the course Moodle. Students are required to download these materials for their own reference in the classes after the add-drop period. No hard copy of these materials will be distributed in class after add-drop period.

Prerequisite: BUSI1002 Introduction to Accounting; or
ACCT1101 Introduction to Financial Accounting

COURSE DESCRIPTIONS

This course covers basic topics of management accounting and introduces a business-management approach to the development and use of accounting information. In today's competitive marketplace, an excellent internal accounting system is essential for organizations to make better decisions. This course covers firms' internal accounting systems and their use in decision-making, planning and control. Major topics include cost classification, cost behavior, cost-volume-profit analysis, costing, budgeting and variance analysis, and decision-making.

COURSE OBJECTIVES

1. Provide students with basic concepts of management accounting and demonstrate the usefulness of the internal accounting system;
2. Provide students with the capability to apply knowledge in decision-making scenarios;
3. Inculcate professionalism;
4. Develop students' communication skills.

INTENDED LEARNING OUTCOMES (ILOs)

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

- ILO1.* Explain cost management concepts, product costing techniques, and planning & control systems;
- ILO2.* Use relevant information for making decisions;
- ILO3.* Prepare a master budget and a flexible budget, compare the budgets with actual results, analyze and interpret variances;
- ILO4.* Apply Management Accountants' Codes of Ethics to resolve an ethical situation;
- ILO5.* Develop verbal and writing communication skills.

ALIGNMENTS OF PROGRAM AND COURSE ILOs

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

TEACHING AND LEARNING ACTIVITIES (TLAs)

TLA1. Situation: Interactive lectures

Basic knowledge of cost accounting and management accounting is presented with PowerPoint slides.

- In-class exercises: basic concepts and techniques are illustrated using examples. These exercises help students follow the lecturer 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.
- Video clips are shown for selected topics followed by in-class discussion so that students can apply basic concepts and techniques to specific real-world scenarios.

Major focus: ILOs 1, 2, 3 and 5;

Minor focus: ILO4.

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.
- In-class interactive activities: students are required to attend all tutorials, participate in discussions, and present their answers to peers, etc.

Major focus: ILOs 1 and 5;

Minor focus: ILOs 2 and 4.

TLA3. Situation: Outside-classroom activities

- Group discussions: students are divided into groups to finish the team projects. Group members meet to discuss the projects, contribute jointly to the written reports and/or preparation for in-class presentation.
- Lecturer and demonstrator consultation: the lecturer (demonstrator) provides consultation weekly to address students’ questions and concerns.

Major focus: ILOs 1, 2 and 3;

Minor focus: ILO 4.

ASSESSMENT TASKS (ATs)

| | |
|--|------------|
| Tutorial participation and assignments | 10% |
| Group presentation | 10% |
| Midterm Test | 35% |
| <u>Final exam</u> | <u>45%</u> |
| Total | 100% |

AT1. Tutorial Participation and Assignments (10%)

Students are required to participate actively in tutorials. Quietly sitting in the classes does not count as participation. Absenteeism from class will negatively affect the performance. Each student will be evaluated on the quality and quantity of their participation by the instructor individually. Students are also required to complete selected assignments before tutorials, which will be collected and graded by the tutor. 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, & 5.

Grading Criteria

| A+ A A- | B+ B B- | C+ C C- | D+ D | F |
|--|--|--|---|---|
| Extremely well prepared for class discussion, active in sharing views, attended at least 90% of classes. Submitted all homework with 90% accuracy. | Partially prepared for class discussion, quite active in sharing views and attended at least 80% of classes. Submitted at least 80% of homework with 80% accuracy. | Not well prepared for class discussion, somewhat active in sharing views and attended at least 70% of classes. Submitted at least 70% of homework with 70% accuracy. | Not well prepared for class discussion, no sharing of views and attended at least 60% of classes. Submitted at least 60% of homework with 60% accuracy. | Poorly prepared for class discussion and no sharing of views and experience and attended less than 60% of classes. Submitted less than 60% of the homework with less than 60% accuracy. |

AT2. Group Presentation (10%)

For group presentation evaluation details, please see attached document “Presentation Guidelines” at the end of the syllabus.

Focus: ILOs 1, 2, & 5.

AT3. Midterm Test (35%) and Final Exam (45%)

The time of the mid-term test will be announced in the first week. The final examination will be held in the normal exam period. Both are closed-book. The objective of these assessments is to further enhance students' understanding of the basic concepts and theories and develop their ability to apply the knowledge in business situations.

NO makeup midterm test will be offered. Students absent from the midterm test with valid reasons and documentations must seek lecturer's permission and approval IN ADVANCE in order to shift weightings to the final exam. A Makeup Final exam will be offered if students are absent from the final exam with valid reasons and supporting documentations. Please follow the application procedures described in this link: <http://www.hku.hk/exam/B.htm>

Multiple choice and calculation problems are graded according to the marks assigned to each question. Essay questions are graded according to the following criteria:

Focus: ILOs 1, 2, 3, 4, & 5.

Grading Criteria

| A+ A A- | B+ B B- | C+ C C- | D+ D | F |
|--|---|--|--|--|
| Idea development is insightful and sophisticated; Supporting evidence is convincing, accurate and detailed. Well written with clear focus. | Idea development is clear and thoughtful; Supporting evidence is sufficient and accurate. Well written. | Idea development is simplistic and lacking in relevance; Supporting evidence insufficient but accurate. Somewhat well written. | Idea development is superficial and ineffective; Supporting evidence is insufficient and inaccurate. Writing is unclear. | Idea development is absent; Supporting evidence is vague or missing. Poorly written. |

STUDY LOAD

| Course Teaching and Learning Activities | Expected contact hour | Study Load (% of study) |
|---|-----------------------|-------------------------|
| T&L1. Interactive lectures | 36 | 30% |
| T&L2. Tutorials | 11 | 9.17% |
| T&L3. Group project, case analysis and homework | 30 | 25% |
| T&L4. Self study | 43 | 35.83% |
| Total | 120 | 100% |

ACADEMIC CONDUCT AND IMPORTANT POLICIES

- a) Plagiarism and copying of copyright materials are serious offences and may lead to disciplinary actions. You should read the chapters on “Plagiarism” and “Copyright” in the Undergraduate/Postgraduate Handbook for details. You are strongly advised to read the booklet entitled “What is Plagiarism” which was distributed to you upon your admission into the University, a copy of which can be found at www.hku.hk/plagiarism. A booklet entitled “Plagiarism and How to Avoid it” is also available from the Main Library.
- b) The course enrollment is fully handled and managed by the faculty office. Please approach the staff in the faculty office (4/F KK Leung Building) for any queries about course enrollment, class quota, etc. Lecturers have no control of course enrollments under any circumstances.

LECTURE SCHEDULE

| Topic | Coverage | Reading |
|---|--|---------------------------|
| Week 1: 19 Jan 2017 Introduction to Managerial Accounting | <ul style="list-style-type: none"> • Compare management accounting and financial accounting • Understand the role of management accountants • Understand today's business environment | Chapter 1 |
| Week 2: 26 Jan 2017 Building Blocks of Managerial Accounting | <ul style="list-style-type: none"> • Three business sectors and the value chain • Define cost object, direct vs. indirect cost, variable vs. fixed cost, inventoriable vs. period cost • Prepare external reporting | Chapter 2 |
| Week 3: CNY | <ul style="list-style-type: none"> • No lecture this week | |
| Week 4: 9 Feb 2017 Job Costing | <ul style="list-style-type: none"> • Distinguish job costing from process costing • Job costing • Prepare job entries for job costing | Chapter 3, Appendix 3A |
| Week 5: 16 Feb 2017 Activity-Based Costing | <ul style="list-style-type: none"> • Activity-Based Costing (ABC) • Understand the benefits and limitations of ABC/ABM systems • Lean production | Chapter 4 |
| Week 6: 23 Feb 2017 Process Costing | <ul style="list-style-type: none"> • Process Costing • Weighted average method in process costing • Prepare job entries for process costing | Chapter 5 |
| Week 7: 2 Mar 2017 Cost Behavior | <ul style="list-style-type: none"> • Cost behavior and how to determine cost behavior • Contribution margin income statement • Variable costing and absorption costing | Chapter 6 |
| Week 8: Reading Week | <ul style="list-style-type: none"> • No lecture this week | |
| Week 9: University Holiday | <ul style="list-style-type: none"> • No lecture this week | |
| Midterm test from 10 a.m. to 12 noon on March 18, 2017 at T4, Meng Wah Complex | | |
| Week 10: 23 Mar 2017 Cost-Volume-Profit (CVP) Analysis | <ul style="list-style-type: none"> • CVP analysis and its application • Break-even and targeted profit analysis • Product mix & multiple cost drivers in CVP • Forming presentation groups & Indicating preferences | Chapter 7 |
| Week 11: 30 Mar 2017 The Master Budget | <ul style="list-style-type: none"> • Understand basic concepts of master budget • How to prepare master budget • Registering video clips if presenting Case #3 and #4 | Chapter 9 |
| Week 12: 6 Apr 2017 The Master Budget | <ul style="list-style-type: none"> • How to prepare master budget | Chapter 9 |
| Week 13: 13 Apr 2017 Standard Costs and Variances | <ul style="list-style-type: none"> • Standard costs • Flexible budget • Variance analysis | Chapter 11 |
| Week 14: 20 Apr 2017 | <ul style="list-style-type: none"> • Student Group Case Presentation | |
| Week 15: 27 Apr 2017 | <ul style="list-style-type: none"> • Flexible day | |

TUTORIAL SCHEDULE

| Week | Tutorial (Every Tuesday) | Topic | Hand-written Assignments to be submitted during the first 10 minutes of registered tutorial |
|--|---------------------------------|--|--|
| 1 | No tutorial on 17 Jan 2017 | -- | -- |
| 2 | 24 Jan 2017 | Ch. 1 | E1-18B E1-19B E1-20B |
| 3 | No tutorial on 31 Jan 2017 | Class Suspension period for Lunar New Year | |
| 4 | 7 Feb 2017 | Ch. 2 | S2-4 S2-16 P2-44A P2-49B |
| 5 | 14 Feb 2017 | Ch. 3 | E3-38B E3-39B P3-45A |
| 6 | 21 Feb 2017 | Ch. 4 | E4-21A P4-39A P4-41A |
| 7 | 28 Feb 2017 | Ch. 5 | E5-24A P5-49A P5-51A |
| 8 | No tutorial on 7 Mar 2017 | Reading week | |
| 9 | 14 Mar 2017 | Ch. 6 | E6-27A P6-66B P6-68B |
| Mid-term test from 10:00 am – 12:00 noon on 18 Mar 2017 (Saturday) at T4, Meng Wah Complex (Chapter 1 to Chapter 5) | | | |
| 10 | No tutorial on 21 Mar 2017 | -- | -- |
| 11 | 28 Mar 2017 | Ch. 7 | E7-37A E7-56B P7-63A |
| 12 | No tutorial on 4 Apr 2017 | Ching Ming Festival | |
| 13 | 11 Apr 2017 | Ch. 9 | E9-50B P9-54A |
| 14 | 18 Apr 2017 | Ch. 11 | P11-50A P11-51A P11-52A*(except part 6) |

PRESENTATION GUIDELINES

I. Forming Groups

Students can form their own working groups WITHIN the same subclass, but I (or the demonstrator) will help if needed. The maximum group size is Five. I will accept groups as small as three.

Please elect a group representative and the group representative is responsible for: (1) email Ms. Christina Ho and let her know the composition of your group members via email before **10 am on 23 March 2017**; (2) email Ms. Christina Ho and indicate the top 3 preferences of the cases (case #1 – case #7) your group wants to present before **10 am on 23 March 2017**; (3) cc to all of your group members on that email. The group representative is also responsible for submitting the PowerPoint slides prior to the presentation.

If you are assigned to present Case #3 and #4, which are based on a video clip from YouTube, please register your choice of clip by emailing the link of the clip to Ms. Christina Ho as soon as possible, and the deadline is **10 am on 30 March 2017**. To avoid plagiarism, each clip can only be selected by one group. The right to work on a particular clip is given to the group registered that clip first. Therefore, you are strongly encouraged to select and register a clip of your interest as early as possible.

II. Case Presentations

Case presentations will be prepared on a group basis. Each group is responsible for one case, by giving a 10 minutes presentation, plus 5 minutes Q&A session. The date for the case presentation is shown on the last page of the syllabus in the section of “Course Outline”. Each group of students is expected to submit the PowerPoint slides (or the pdf conversion of the slides) to acgzhang@hku.hk 24 hours before the in-class presentation.

All work is to be performed exclusively by the members of the Team, and all Team members must contribute their fair share to each assignment.

Each Team member is responsible for knowing and understanding the complete Team assignment, including the reasoning, computations and analysis that form the final team presentation. Any member may be asked to explain any segment of the Team presentation. Team members should not consult with or obtain information from students who previously took the course.

Case #1 Ethics: Goldman Sachs Fraud Charges

Reading:

Braun and Tietz, Chapter 1

Prepare for class:

No materials will be provided for this project. You need to read newspapers or Internet articles to self-study the case.

The IMA Statement of Ethical Professional Practice is available here:

<http://www.imanet.org/-/media/b6fbbeb74d964e6c9fe654c48456e61f.ashx?la=en>

The official link of SEC versus Goldman Sachs Case, see

<http://www.sec.gov/litigation/litreleases/2010/lr21489.htm>

Assignment Questions for the Presenting Team:

1. What is the SEC versus Goldman Sachs lawsuit about in a nutshell?
2. Explain why Goldman Sachs was charged with fraud in April 2010. (Hint: You don't need to describe the complicated financial products or concepts involved in the case. Try to tell the story in plain language to an audience without much knowledge in finance or accounting.)
3. Apply the IMA Statement of Ethical Professional Practice to analyze the Goldman Sachs case. What ethical standards are violated?
4. Briefly describe the main challenges in improving ethical situations in modern corporations.

Case #2 Ethics: Kitchen Best - Do Business in Southern China

Reading:

Braun and Tietz, Chapter 1

Prepare for class:

Case is provided separately. (Ordered from ACRC, the University of Hong Kong Business Cases)

Kitchen Best is a Hong Kong-based electrical-appliance company. The company has a manufacturing facility in China and sells its wares to customers around the world. Henry Chan, the newly appointed CEO, has ambitious plans for the business. However, a series of instances of misconduct and unethical behavior makes him realize that the business is suffering from a lack of internal control.

Assignment Questions for the Presenting Team:

1. What type of internal control mechanisms should Henry put in place to ensure the future success of the company?
2. What kinds of risks did the practice of offering and accepting kickbacks pose to the company?
3. How could Henry better monitor the business operations across the border and the conduct of staff with different backgrounds and cultural values?

Case #3 Job Order Costing

Reading:

Braun and Tietz, Chapter 3

Prepare for class:

Go to www.YouTube.com and search for clips from the show *Unwrapped* on Food Network or *How It's made* on the Discovery Channel.

Select a clip for a product you find interesting.

Assignment Questions for the Presenting Team:

1. Describe the product that is being produced and the company that makes it.
2. Summarize the production process that is used in making this product. Justify why you think this production process will dictate the use of a job costing system.
3. What raw materials are used to make this product?
4. What indirect materials are used to make this product?
5. Describe the jobs of the workers who would be considered “direct labor” in the making of this product.
6. Describe the jobs of the workers who would be considered “indirect labor” in the making of this product.
7. Define manufacturing overhead. In addition to the indirect materials and indirect labor previously described, what other manufacturing overhead costs would be incurred in this production process? Be specific and thorough. Make reasonable “guesses” if you do not know for sure.
8. Would a job-order costing system or a process costing system be used for this production process? Give specific reasons for your choice of which costing system would be most appropriate for this manufacturer.

*Presenting Groups are expected to answer Assignment Question #1-8, for the products they selected and registered.

*For some of the questions, you may need to make assumptions about the production process (i.e. companies may not publicize their entire production process!!). If you make any assumptions, be sure to disclose both the assumptions and your rationale for that assumption.

Case #4 Process Costing

Reading:

Braun and Tietz, Chapter 5

Prepare for class:

Go to www.YouTube.com and search for clips from the show *Unwrapped* on Food Network or *How It's made* on the Discovery Channel.
Select a clip for a product you find interesting.

Assignment Questions for the Presenting Team:

1. Describe the product selected.
2. Summarize the production process.
3. Justify why you think this production process will dictate the use of a process costing system.
4. List at least two separate processes that are performed in creating this product. What departments would house these processes?
5. Describe at least one department that would have ending work in process. What do the units look like as they are "in process"?

*Presenting Groups are expected to answer Assignment Question #1-5, for the products they selected and registered.

*For some of the questions, you may need to make assumptions about the production process (i.e. companies may not publicize their entire production process!!). If you make any assumptions, be sure to disclose both the assumptions and your rationale for that assumption.

Case #5 Activity-based Costing: WOW Company

Reading:

Braun and Tietz, Chapter 4

Prepare for class:

Source: The Case of WOW Activity-based Costing is available for download from Course Moodle, in the file folder named “WOW”. If you have any difficulty downloading the case, please let Ms. Christina Ho know.

Assignment Questions for the Presenting Team:

1. WOW wants to determine the differences the use of activity-based costing might identify for Milpitas and Amboy. Using the activities already specified, perform an ABC analysis.
 - a. Perform the first-stage allocation of costs to the activity cost pools.
 - b. Compute the activity rates for the activity cost pools.
 - c. Compute the overhead costs of serving Milpitas Builders.
 - d. Compute the overhead costs of serving Amboy Construction.
2. Interpretation and Discussion
 - a. Does WOW appear to be losing money on either customer? Explain.
 - b. Do the traditional and activity-based costing systems agree concerning the profitability of the customers? If they do not agree, which costing system do you believe? Why?

Case #6 Variable Costing and Absorption Costing: Landau Company

Reading:

Braun and Tietz, Chapter 6

Prepare for class:

Case is provided separately. (Ordered from HBP, Harvard Business School Cases)

The CEO of a manufacturing company is assessing the value of variable costing as opposed to full-absorption costing.

Assignment Questions for the Presenting Team:

1. Explain the reasons for the \$29,287 difference in July (\$65,099 - \$35,812) between income before taxes under the two different methods. Be very specific in listing the elements that caused the difference.
2. Critique the various pros and cons of the variable costing proposal that were presented in the meeting. What arguments would you add?
3. Assess Mr. Silver's arguments concerning products 129 and 243. If he could emphasize only one product, which one should it be? Why?
4. Should Landau adopt variable costing for its monthly income statements? Why or why not?

Case #7 Standard Costing: iPhone Contractor Danshui Plant No. 2

Reading:

Braun and Tietz, Chapter 11

Prepare for class:

Case is provided separately. (Ordered from HBP, Harvard Business School Cases)

Danshui Plant No. 2 in southern China has a one-year contract with Apple Inc. to assemble 2.4 million iPhones. In the first three months of the contract, the plant is unable to assemble as many phones as expected and is operating at a loss. The plant manager must analyze the budget and prepare a summary of monthly operations to help identify the source of performance problems. The plant has had difficulty hiring enough workers despite raising wages over 30%. In addition, the assembly process for an iPhone is complicated, with 140 steps involving over 100 components. The plant manager considers whether a flexible budget would be more useful for uncovering problems than the static budget currently being used. Students must perform breakeven and flexible budget analyses and calculate price and usage variances as they consider solutions for the plant's problems with the iPhone contract.

Assignment Questions for the Presenting Team:

1. Using budget data, how many Apple iPhone 4's would have to have been completed for Danshui Plant No.2 to break even?
2. Using budget data, what was the total expected cost per unit if all manufacturing and shipping overhead (both variable and fixed) were allocated to planned production? What was the actual cost per unit of production and shipping?
3. Prepare a flexible budget for 180,000 iPhone 4's and calculate flexible budget variances using actual costs for August.
4. Prepare variance analysis for flash memories for August.
5. What are some strategies or decisions that Wentao Chen should consider in trying solving the problems with the Apple iPhone 4 contract in the next nine months? How would these changes and profitability of Danshui Plant No. 2 and the iPhone 4 contract?

Rubrics for Assessing Case Presentation (10 points)

Group Member & UID:

Subclass Number:

Case Number:

Overall score:

| | | |
|---|---|--|
| Content (4) | <p>Qualitative comprehensive: Mastering of knowledge; Evidence provided for arguments; Avoids simplistic description or summary of information; Ideas flow logically; Free of reasoning fallacies; Creates appropriate college level, academic tone.</p> | |
| | <p>Quantitative correct: Correctly answer assignment questions; Raise feasible business solutions.</p> | |
| Delivery (3) | <p>Vocal delivery:</p> <ul style="list-style-type: none"> ■ Dynamic and active tone and appropriate pitch? ■ Enunciation? ■ “I think” vs. “Our analysis shows”? ■ Meaningless utterance, e.g., “Uhs”, “you know”? ■ Appropriate speed? <p>Build connections:</p> <ul style="list-style-type: none"> ■ Natural gestures? ■ Appropriate eye contact? <p>Appropriate use of visual aids.</p> | |
| Organization (2) | <p>Structure: Overall Organization; Introduction/attention-getter; Central Idea; The use of internal summery, forecast or signpost; Conclusion.</p> | |
| | <p>Integration: Rigorously organized and logically integrated as a final product of teamwork; No evidence that team members simply put together the different pieces of individual work.</p> | |
| Handling Questions (1) | <p>Are questions well handled?</p> | |
| Bonus (<=1) (discretionarily awarded) | <p>Creativity, innovation, etc.</p> | |