

MIT Sloan School of Management
Management Accounting and Control (15.963), Spring 2007

Professor Mozaffar Khan

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Consultation Times: By appointment in my office, or by email anytime

Administrative Assistant: Jeff Werner <jmwerner@mit.edu>

Class Times: TTh, 2:30-4, Room E51-345

TTh, 4-5:30, Room E51-395

TA: Konstantin Rozanov <rozanov@mit.edu>

TA Office Hours (all office hours in TA Room): Wed, 2:00

Required Textbook: *Accounting for Decision Making and Control* (5th ed.), by Jerry Zimmerman.

OVERVIEW

This course is an introduction to the use of accounting information by managers for decision making, performance evaluation and control. The course should be useful for those who intend to work as management consultants, for LFM students, and in general, for those who will become senior managers.

The goal is to provide students with a conceptual framework for identifying and resolving accounting issues faced by managers. We will have lectures on topics, followed by case discussions to illustrate and reinforce concepts. Students will be expected to have read and prepped, within groups, the assigned case prior to class. The textbook should be used to pick up the conceptual tools to prep for each case.

GRADING

1 midterm exam:	30%
Presentation:	25%
Classroom participation:	15%
2 case assignments @ 15% each:	<u>30%</u>
	100%

'THE FINE PRINT'

(1) **Group Composition:** each group should consist of no more than three members. Please form your group on the first day of class, and then email the names of your group members to the TA. Please sit with your group members in class.

(2) **Case Assignments:** you will be required to write-up and submit two cases over the semester. One case should be prepared and submitted individually, while another should be prepared and submitted by your group. The class schedule indicates which cases are due to be submitted, and when.

The format of the submitted case analysis should be as follows: typed, double spaced, 12 font, standard margins; first page should be an Executive Summary of your analysis; this should be followed by a maximum of three pages of text, and then any exhibits and / or references. You should identify relevant issues, the objectives and constraints of the decision maker, and your recommendation for how the issues might be resolved. Your recommendation of a course of action for the case protagonist should be the focal point of your analysis. In other words, your analysis and arguments should jointly lead to, and support, your recommendation. In the course of leading up to your recommendation, you should, of course, evaluate the effect of alternative courses of action.

There should be no collaboration among students on cases to be prepared and submitted individually.

(3) **Class Participation:** a case-based class requires active student engagement in, and ownership of, the class discussions. My role in class will be to facilitate the discussion, to draw out differing perspectives, to challenge you and to manage diversions. In other words, you will be the panel and I will be the moderator. Class participation marks will be awarded to your group, rather than to you individually. The TA will be present in each class to observe your group's participation and record these marks. You can view your participation marks twice over the semester: the day following the midterm exam (April 5), and at the end of the semester. **Please note that attendance and participation on the last two days of class (May 15 and 17) is especially important, and absence on those days will be penalized.**

(4) **Class Presentation:** each group will deliver a class presentation on one of the two days reserved for this activity. Your goal is to present an important management accounting issue that was confronted in a company, and how it was addressed. The issue (and company) can be from your own experience, or you may have otherwise heard of it. If it is from your own personal experience, you may choose to withhold the name of the company. In your presentation, clearly identify the issue first (based on the topics we cover during the semester), provide background on the company and its strategic environment, describe how the company responded, and then evaluate the company's response. The more interesting situations may be ones where you would have responded differently, had you been the decision maker, based on what you have learned in class, and situations that illustrate misalignment of incentives and failure of management

control systems. Each presentation will last about 15 minutes, though we might adjust the length of time down depending on the number of groups. Before the presentation, you should submit a hard copy of your slides to the TA. Finally, don't forget to mention briefly, in the introduction, the source (personal experience, other) of the issue you are presenting.

(5) ***Professional Standards:*** The school has asked that we remind ourselves of certain norms, including –

- (i) Class starts at 5 minutes past the posted start time, and ends 5 minutes prior to the posted end time.
- (ii) We do not use laptops frivolously in class.
- (iii) We do not use cell phones in class, or engage in potentially distracting behavior.
- (iv) We conduct ourselves with mutual respect.
- (v) Where specific guidance is unavailable, we apply the most conservative standards.

Tentative Schedule

<u>Class</u>	<u>Date</u>	<u>Subject</u>	<u>Case*</u>	<u>Readings</u>	<u>Assignment Due*</u>
1	T Feb 6	Introduction			
2	Th Feb 8	Decision making		Ch. 2	
3	T Feb 13	Decision making		Ch. 2	
4	Th Feb 15	Decision making		Ch. 2	
5	Th Feb 22	2 cases	Basinger; Precision Worldwide		
6	T Feb 27	Product Costing		Ch. 9	
7	Th Mar 1	Product Costing + case	Colorscope	Ch. 9 & 10	
8	T Mar 6	Issues in product costing + case	Bridgeton	Ch 8 - 10	
9	Th Mar 8	Product costing refinements – 2 cases	Wilkerson; Kanthal	Ch. 7 & 11	
10	T Mar 13	Additional issues in product costing + 2 cases	Owens & Minor; Insteel wire	Ch. 7 & 11	
11	Th Mar 15	Capacity issues + case	Micro Devices		Group Case: Mueller-Lehmkuhl
12	T Apr 3	Midterm			
13	Th Apr 5	Discuss midterm & submitted assignment (Mueller-Lehmkuhl)			
14	T Apr 10	Incentive to overproduce; joint costs; allocation of service dept costs.		Ch. 8 & 10	
15	Th Apr 12	Organizational architecture		Ch. 4 & 5	
16	Th Apr 19	Performance evaluation + case	Vyaderm	Ch. 4 & 5	
17	T Apr 24	Performance evaluation + case	Citibank	Ch. 4 & 5	
18	Th Apr 26	Transfer pricing + case	Del Norte	Ch. 5	
19	T May 1	Budgeting + case	Peoria	Ch.6	
20	Th May 3	Standard costing & variances + case	Polysar	Ch. 12	
21	T May 8	Class Presentations			
22	Th May 10	Class Presentations			Individual Case: Lehigh Steel
23	T May 15	Control systems – case + discuss submitted assignment	ATH technologies		
24	Th May 17	Wrap-up			

* All HBS cases are available in your course packet.