

**Commerce 4AA3  
Managerial Accounting II  
Winter 2020  
Course Outline**

**Accounting and Financial Management Services Area  
DeGroote School of Business  
McMaster University**

**COURSE OBJECTIVE**

The objective of this course is to develop the students' analytical abilities to deal with problems relating to financial situations within the firm. This course deals with the role of accounting in an organization's planning and control system which includes responsibility accounting, performance evaluation, and incentive compensation system. The way in which management accounting information affects the strategic and operational decisions within the organization will also be discussed.

**INSTRUCTOR AND CONTACT INFORMATION**

Section: C01 W 11:30 – 14:20  
C02 M 14:30 – 17:20  
Instructor: Dr. Y. Lilian Chan  
Email: ylchan@mcmaster.ca  
Office: DSB 418 / RJC 225  
Office Hours: W 9:30 – 11:00 / Th 12:00 – 13:30  
or by appointment  
Tel.: (905) 525-9140 ext. 24253 / ext. 23974  
Class Location: BSB 105/IWC E201

**COURSE ELEMENTS**

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: Yes	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: No	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: Yes	Final exam: Yes	Guest speaker: No

**COURSE DESCRIPTION**

The course looks at organizational theory and the ways in which transfer pricing, divisional performance evaluation and incentive compensation systems are integrated into the strategic planning and management control systems. It also includes topics on activity-based costing and management in greater details. It introduces such topics as strategic profitability analysis, as well as the management of quality and time. Ethics, governance, and management control of not-for-profits will also be introduced as time permits.

The course considers these topics using readings, problems and cases to provide students with an in-depth appreciation of the field. Throughout the course, the objective is to develop your ability to use your knowledge of accounting and analytical methods to solve problems in the areas of planning and control and the way in which they contribute to developing and implementing strategy in organizations.

### LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Understand the application of balanced scorecard as a strategic management and performance management system.
- Apply the principal of responsibility accounting to planning and control, with a focus on how organizational strategy affects the design of management control system.
- Apply management accounting concepts to the design of specific components of the management control system, including organizational structure, performance management system, and compensation contract.
- Use analytical tools, such as activity-based costing, customer profitability analysis, strategic profitability analysis, etc., in assessing the performance of an organization with respect to its strategy.

### REQUIRED COURSE MATERIALS AND READINGS

- Datar, S.M., M.V. Rajan and L. Beaubien. *Hornsgren's Cost Accounting: A Managerial Emphasis*, 8<sup>th</sup> Canadian Edition. Pearson Canada Inc., 2018.

Custom Courseware (Assignments and Cases)

- purchase a copy at the bookstore

### OPTIONAL COURSE MATERIALS AND READINGS

- Hilton, R.W., M.W. Maher, and F.H. Selto. *Cost Management: Strategies for Business Decisions*, Irwin McGraw-Hill, 2000 (HMS) (on reserve in Innis Room).
- Anthony, R.N. and D.W. Young. *Management Control in Nonprofit Organizations*. Seventh Edition, McGraw-Hill/Irwin, NY: New York, 2003 (AY) (on reserve in Innis Room).
- Reading List is available on [avenue.mcmaster.ca](http://avenue.mcmaster.ca).

### EVALUATION

Learning in this course results primarily from readings, in-class discussion, assignment, and case studies (report and presentation). Students will be evaluated on an individual basis for their participation in in-class discussion and group work is required for case studies where group members will share the same grade. ***If the majority of the group feels that a member does not deserve 100% of the mark assigned, it is the group's responsibility to inform the instructor and the member involved, in writing, specifying the reasons and the percentage of the mark that should be assigned.*** Your final grade will be calculated as follows:

**Components and Weights**

	Option #1	Option #2
Review Quiz re: 2AB3 – Relevant Costing	3%	3%
Class Participation (best 10 of all classes attended)	10%	10%
Business Analytics Project using Power BI (see folder on Avenue)	15%	15%
Case Assignment (DSB Hotel)	20%	20%
Case Reports (four case reports @2% each with a bonus of 2%)	10%	10%
Online Tests/Quizzes (@2.5% for each of Test #1 and #2; @5% for each Test #3 and Test #4)	15%	
Final Exam	<u>30%</u>	<u>45%</u>
Total	<u>100%</u>	<u>100%</u>

The instructor reserves the right to adjust the student's final grade by one grade point based on his/her overall performance for the course.

**Conversion**

At the end of the course, your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme.

LETTER GRADE	PERCENT	LETTER GRADE	PERCENT
A+	90 - 100	C+	67 - 69
A	85 - 89	C	63 - 66
A-	80 - 84	C-	60 - 62
B+	77 - 79	D+	57 - 59
B	73 - 76	D	53 - 56
B-	70 - 72	D-	50 - 52
		F	00 - 49

**Communication and Feedback**

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

**Participation**

Class participation is an essential part of the course. Students are expected to study the assigned materials in advance, attempt the assigned problems and cases, and be prepared to discuss them during class. Marks assigned for class participation will be based mostly on discussions of management accounting topics, cases and problems. There are no marks assigned for class attendance.

For each class, students who do not participate at all in class discussion will receive a mark of **ZERO**, students who actively participate and contribute to class discussion will receive a mark of **ONE**, and students whose contribution to class discussion is deemed satisfactory will receive a mark of **0.5**. Class participation mark will be based on the highest mark of TEN classes, i.e., students can be absent from TWO classes and still earn the full mark of 10 or the equivalent of 10% of the final grade.

**Note:** Assignment in lieu of Participation has been given in the past. **NO** Assignment in lieu of Participation will be given for this course. Accordingly, students who do not participate at all in class discussion will receive a mark of **ZERO** for class participation in this course.

### *Case Assignment (DSB Hotels)*

Students should work on the Case Assignment in groups of four assigned by the instructor. The Case Assignment is due at **4:00 p.m. on February 14, 2020 (Friday)**.

***A print copy of the Case Assignment must be handed in to the instructor or dropped off at the box outside DSB 303, office of the Administrative Assistant of the Accounting and Financial Management Services Area by 4:00 p.m. on February 14, 2020 (Friday)***. An electronic copy must be submitted to Dropbox on the course website on Avenue. Late submission will not be accepted for marking, i.e., a mark of **ZERO** will be assigned accordingly.

The case submission must be of professional quality, typed, double-spaced with reasonable fonts (size 11) and margins (1"). The case report should include (i) a brief introduction identifying the relevant organizational/accounting problems and issues; (ii) a detailed analysis of the issues with recommendations; and (iii) a conclusion. It is expected that the case report will be presented as a logical argument based on sound analysis of the case facts and not on opinion or speculation. Point-form analysis in complete sentences is acceptable. The report must be short, concise and to the point, that is, the report is limited to **five pages** plus at most **three one-page exhibits for calculation**. ***A proper audit trail for the computation and exhibits must be included with the submission; otherwise, partial credits will not be given for incorrect quantitative analysis.*** Excessive length, excessive verbosity, lack of precision or otherwise poor writing skill will affect your grade.

Students are recommended to begin working on the case assignment from the first week of class. Late assignments will not be collected for marking and a mark of **ZERO** will be assigned accordingly.

### *Case Reports*

Students should work on these Case Reports in another group of four for the Case Assignment as assigned by the instructor. Each group will be required to hand in four Case Reports (the cases are numerated and bolded on the tentative course schedule). Students can hand in five Case Reports to earn the full mark on this evaluative component.

The case submission must be of professional quality, typed, double-spaced with reasonable fonts (size 11) and margins (1"). The case report should include (i) a brief introduction identifying the relevant organizational/ accounting problems and issues; (ii) a detailed analysis of the issues with recommendations; and (iii) a conclusion. It is expected that the case report will be presented as a logical argument based on sound analysis of the case facts and not on opinion or speculation. Point-form analysis in complete sentences is acceptable. The report must be short, concise and to the point, that is, the report is limited to **four pages** plus at most **two exhibits for calculation**. Excessive length, excessive verbosity, lack of precision or otherwise poor writing skill will affect your grade. The case will be graded as "reasonably attempted". If a case were reasonably attempted, then you will receive a mark of "2". If a case were not reasonably attempted, then you will receive a mark of "ZERO". Moreover, groups which have made reasonable attempts in all four case reports, will earn **an extra BONUS mark of "2"** for a total of 10. Please note that simply stating the facts given in the case will not be considered as "reasonable attempt", and a mark of "1" may be assigned based on the overall attempt.

***A print copy of the Case Reports is due at the beginning of the class when the case is scheduled for class discussion***, and an electronic copy must be submitted to Dropbox on the course website on Avenue before class. Late submission will not be accepted for marking, i.e., a mark of **ZERO** will be assigned accordingly.

### ***Review Quiz & Online Tests/Quizzes***

The Review/Bonus Quiz consists of multiple choice questions. Students can access the Review/Bonus Quiz on Avenue from January 18, 2020 (12:00 a.m.) to January 20, 2020 (12:00 a.m.), and they are given **one attempt of a 45-minute session** to complete the quiz.

These Online Tests/Quizzes are set up on **MyLab Accounting**. Students must complete and submit the tests/quizzes online through **MyLab Accounting**. Please check Student Registration Instruction posted on the course website on Avenue for registration on **MyLab Accounting**. Late submission will not be accepted for marking. There will be four online tests/quizzes.

The objective of these tests and quizzes is to ensure that students have completed the assigned readings and attempted the self-study problems. Students will be given **one attempt of a 90-minute session (Test #1 and Test #2) or a 120-minute session (Test #3 and Test #4) within an 8-hour window** to complete each of these Online Tests/Quizzes. The Policy of Missed Midterm Examinations/Tests will govern absence from the tests/quizzes assigned.

Tentative dates for completing these Online Tests/Quizzes are:

Test #1 – Balanced Scorecard and Strategy Map (Ch. 13)	Jan. 25, 2020, 9:00 a.m. to 5:00 p.m.
Test #2 – Profits/Investment Centre (Ch. 22)	Feb. 8, 2020, 9:00 a.m. to 5:00 p.m.
Test #3 – Transfer Pricing (Chs 14 and 21)	March 7, 2020, 9:00 a.m. to 5:00 p.m.
Test #4 – Extended Variance Analysis Strategic Profitability Analysis (Chs.13 and 16)	March 21, 2020, 9:00 a.m. to 5:00 p.m.

It is the student's responsibility to check for any changes on the tentative dates for completing the Online Tests/Quizzes on the course website on Avenue. The instructor will not provide any make-up Online Tests/Quizzes if the student misses the deadline for completing the Online Tests/Quizzes.

Students must also sign and complete a **PLEDGE FORM** stating that he/she has answered all questions of the test/quiz without any kind of assistance or consultation from any individuals. The PLEDGE FORM must be submitted to Dropbox on the course website on Avenue or the instructor at the beginning class of the following week; otherwise, a mark of **ZERO** will be assigned accordingly. Students should download the PLEDGE FORM from the course website on Avenue.

### ***Final Exam***

There will be one comprehensive final examination. The rules customarily followed by the DeGroot School of Business will govern absence from the examinations.

NOTE: The use of a McMaster standard calculator (Casio FX-991) is allowed during examinations in this course. See McMaster calculator policy at the following URL:

<http://www.mcmaster.ca/senate/academic/calculat.htm>

<b>ACADEMIC INTEGRITY</b>
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You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is the student's responsibility to understand what constitutes academic dishonesty. Please refer to the University Senate *Academic Integrity Policy* at the following URL:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

This policy describes the responsibilities, procedures, and guidelines for students and faculty should a case of academic dishonesty arise. Academic dishonesty is defined as to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. Please refer to the policy for a list of examples. The policy also provides faculty with procedures to follow in cases of academic dishonesty as well as general guidelines for penalties. For further information related to the policy, please refer to the Office of Academic Integrity at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

#### **AUTHENTICITY/PLAGIARISM DETECTION**

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so can be checked for academic dishonesty. Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please go to:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity).

#### **ONLINE COURSE COMPONENTS**

In this course we will be using Avenue to Learn (A2L), A2L plagiarism detection, and MyLab Accounting. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

#### **REQUESTING RELIEF FOR MISSED ACADEMIC WORK**

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

## STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905525-9140 ext. 28652 or e-mail [sas@mcmaster.ca](mailto:sas@mcmaster.ca).

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

## COPYRIGHT

McMaster University has signed a license with the Canadian Copyright Licensing Agency (Access Copyright) which allows professors, students, and staff to make copies allowed under *fair dealing*. Fair dealing with a work does not require the permission of the copyright owner or the payment of royalties as long as the purpose for the material is private study, and that the total amount copied equals **NO MORE THAN 10 percent** of a work or an entire chapter which is less than 20 percent of a work. In other words, it is illegal to: i) copy an entire book, or ii) repeatedly copy smaller sections of a publication that cumulatively cover over 10 percent of the total work's content. Please refer to the following copyright guide for further information:

<http://library.mcmaster.ca/about/copying.pdf>.

## ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

## POTENTIAL MODIFICATIONS TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

## RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

<b>ACKNOWLEDGEMENT OF COURSE POLICIES</b>
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Your enrolment in Commerce 4AK3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

<b>COURSE SCHEDULE</b>
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**4AA3: Managerial Accounting II**  
**Course Outline**

Lecture	Date	Topic	Reading	Problems
1	January 6/8	Introduction Strategic Management System		
2	January 13/15	Strategy and Balanced Scorecard <i>Case: Mountain City Transit</i>	pp. 523-535	P13-33, 34
3	January 20/22	Management Control and Decentralization Budgeting, Responsibility Accounting and Responsibility Centres	pp. 859-863 Ch. 6	
<b>Business Analytics Project using Power BI due at 4:00 p.m., January 24, 2020.</b>				
<b>Test #1: January 25, 2020 (Ch. 13)</b>				
4	January 27/29	Profit and Investment Centres: Return on Investment & Economic Value Added	pp. 893-914	P22-22, 25, 32, 42, 44
<b>Case #1: Virshire Company</b>				
5	February 3/5	Transfer Pricing – Expense Centres (Common Cost Allocation)	Ch. 14	P14-26, 28, 34
<b>Case #2: Vienna Industries, Ltd.</b>				
<b>Test #2: February 8, 2020 (Ch. 22)</b>				
6	February 10/12	Transfer Pricing – Profit Centres	pp. 863-879	P21-20, 24, 28, 29, 32, 34
<b>Case Assignment (DSB Hotels) due at 4:00 p.m., February 14, 2019.</b>				
<b>Reading Week: February 17, 2020 to February 21, 2020</b>				
7	February 24/26	Performance Measurement and Incentive System <i>Case: Birch Paper Company</i>	pp. 914-920	P22-29, 35, 39
8	March 2/4	Operating Income Variance Analysis – Review Extended Variance Analysis	Chs. 7 & 8  pp. 651-661 pp. 269-274	P7-37, 39, P8-28, 38, 40 P16-27, 28
<b>Case #3: AB Thorsten</b>				
<b>Test #3: March 7, 2020 (Chs. 14 and 21)</b>				
9	March 9/11	Strategic Profitability Analysis	pp. 535-541	P13-30, 31
10	March 16/18	Activity-Based Costing and Management  Customer Profitability Analysis	Ch. 5 HMS: Chs. 5 & 10 pp. 662-669	P5-31, 32, 41  P16-32, 33, 42
<b>Case #4: Vyaderm Pharmaceuticals</b>				
<b>Test #4: March 21, 2020 (Ch. 13, 16)</b>				
11	March 23/25	<i>Case: Wilson Electronics (A) and (B)</i> Strategic Cost Management: Time and Quality Theory of Constraints and Throughput Accounting;	pp. 388-405 pp. 452-454, pp. 358-360	P10-32, 33, 35, 36 P9-27, 28
12	March 30/ April 1	Management Control for Not-for-Profit Organizations	AY: Chs. 1, 2 & 16	
<b>Case #5: Union Medical Center</b>				
13	April 6	Wrap-up and Review		

*Tentative course outline is subject to change.*