

# ACCTG 426

## Management Control Systems

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### Pre-requisites

Students should have completed Accounting 414 and 424. This course is only open to fourth year students

### Course objectives and organization

The objectives of this course are:

1. To review and apply in practical settings some key management accounting concepts. In general, you will be assumed to have already acquired a basic understanding of the relevant management accounting concepts and techniques.
2. To develop your communications skills by means of discussion, presentations, and case reports.
3. To help bridge the gap between highly structured and oversimplified typical textbook problems (where many factors bearing on a problem are held constant or excluded) and the complex real world where it is often difficult to identify *best* solutions to problems, and sometimes difficult even to identify the precise nature of the problem or its causes.

Although many students in this course aspire to a career in accounting, those interested in general management should also find it useful. Accountants are expected to provide expert advice to management on the design and implementation of management information, planning and control systems; however, managers themselves should be aware of which management information is most relevant, and how that information is developed and used.

The course focuses on cases that deal with management's need for information for planning, control and decision-making. Students should be familiar with the topics underlying the cases. Students should refer to chapters in their textbooks from their prior management accounting courses where necessary.

During the term, some class days will be devoted to case discussion.  
**You are expected to be fully prepared for each case. All students**

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Winter 2017

Section B2: M W 15:30–16:50  
BUS 3-06

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### Text

**Merchant & Van der Stede,  
*Management Control  
Systems, 3rd Edition,*  
(Prentice Hall,  
2012)**

### Useful Additional Resources

**Cost Accounting: A  
Managerial Emphasis,**  
Fifth Canadian Edition, by  
Horngren, Foster, Datar,  
and Gowing. Pearson  
Education Canada Inc.,  
2010.

Effective Writing: A  
Handbook for Accountants  
9th edition, Prentice Hall,  
2012) by May, C.B., & G. S.  
May

**are expected to be actively involved in all classes.** Alternate class days will be used to undertake presentations, discuss readings, and explore topics in management control.

**Learning outcomes**

The following are the expected learning outcomes or this course. Student by the end of the course will have learned and demonstrate the ability to perform the following:

- Analysis and Critical thinking
- Read and summarize issues relating to managerial accounting and control system.
  - Use an organized approach to analyze the issues facing and individual firm
  - Provide practical recommendations giving due consideration to the environment and strategy of the firm.

- Communication
- Effectively present one group presentation on a topic.
  - Engage in in-class discussions providing effective input.
  - Effectively communicate ideas to a client in case reports.

- Integrity/values
- Act with academic integrity.
  - Understand discipline-specific ethical issues.
  - Respect for the ideas of others in case discussions.

- Project management
- Self-regulation and team work skills

**Evaluation**

Your evaluations will be based on the verbal definitions given in the university calendar, which states that A+, A and A- represent excellent performance, B+, B and B- represent good performance, and C+, C and C- represent satisfactory performance. Unfortunately grade inflation has somewhat eroded these definitions, few students would consider a C as satisfactory.

In an attempt to achieve some uniformity in marking across the different cases and presentations, I am employing the following strategy. I will anchor at a B. This represents a good, solid performance with no significant problems, i.e. a 'good performance' that would translate into a B if repeated on every submission. You will be rewarded for submissions that are exceptionally insightful, thorough, creative, or well-written corresponding to the term “excellent” attached to the higher grade categories. Your evaluation will be evaluated down for significant omissions, errors, or superficial or poorly written analyses.

**Milestones**

Introductory case report

Report 1 – chosen from cases 1-5

Report 2 – chosen from cases 6-10

Report 3 – chosen from cases 11-15

Final Exam - 24-Apr-2017 (Monday) @ 2:00 p.m.

**Mark Distribution**

Group Intro Case Report	5%
Group Case Reports (3 reports15% each)	45%
In-class Participation	15%
Individual Final Exam	<u>35%</u>
Total	100%

## Group Work

Students will form groups of **two to three members**. These groups will be responsible for preparing your presentation and three written cases to be submitted; however, the case groups are not responsible for working together on the in-class discussions.

In choosing your group members, try and select people that are responsible and that you can work with. In addition, you may wish to consider your schedules, so that all group members have some common time available for preparing the case.

**PLEASE NOTE, IF A GROUP MEMBER IS NOT PULLING HIS/HER WEIGHT YOU ARE FREE TO LEAVE THEIR NAME OFF OF A SUBMISSION OR FIRE THE PERSON.** Do not feel bad about doing this if a person suggests that they will fail if you fire them, since I will offer the person an alternative. Details will be discussed during the first class.

## Hints on working with Groups:

<http://businessmajors.about.com/od/studentresources/a/GroupProjectTips.htm>

<http://collegelife.about.com/od/academiclife/ht/GroupWorkTips.htm>

<http://homeworktips.about.com/od/teamwork/a/projectorganizer.htm>

## Case Reports

All groups are required to submit two written case reports electronically, in addition to the intro case report (three cases in total). Case reports are limited to four typed double spaced pages (using Arial font size 12pt), although exhibits can supplement the report. Four pages may seem tight, but most reports can be significantly reduced through editing. For example, removing redundant bits and using the active rather than the passive voice will generally provide considerable slack. Therefore, in preparing the case report, try not to aim for four pages immediately. You will probably do better if you first write down what you want to say, and then edit it down to four pages.

The introductory case report is Game Shop Inc. pp. 229. Every group will hand in this case. The **three additional case reports** will be chosen from each of the following groups of cases; one from cases 1 through 5, one from cases 6 through 9, and one case from cases 10 through 14 on the course outline. These case reports **must be submitted electronically prior to the start of class on the day in which that case is to be discussed**.

Case reports will be evaluated not only on content, but also on **presentation** (including spelling, grammar, structure and format).

## In Class Participation

All individuals are expected to join in class discussion. You may be called to comment, critique, or lead discussion of the reading material and cases, as an individual. The general discussion forms a separate component of your mark. It also gives you an opportunity to demonstrate your understanding of the case/material. **Please do not rely on a particular group member to carry the ball in discussion every class, because the participation grade is assigned individually.**

Participation grades involve three components; attendance, frequency of participation, and quality of participation. Participation will be specifically monitored for each class. Attendance and pre-class preparation is vitally important since this is a case discussion class. Thus, the quality of the class will, to a significant extent, be dependent on your preparation, attendance, and participation. If you fail to attend class you are obviously not participating. If you aren't prepared for class the quality of your participation will be severely lacking. See additional comments on participation below.

## A NOTE ON PARTICIPATION:

As discussed above a participation grade will be included in your final mark. The following section provides additional information on how the oral portion of your participation mark will be assessed.

Occasionally students believe that simply attending class without participating in discussions is sufficient. **This is not the case.** A student who attends all classes and never participates will receive a grade of 25% on their participation.

In order to show that you have read the case and prepared for the class you must participate in the discussion. However, the participation mark is not allocated using the number of words spoken as a base. While regular participation is a factor, the content and timing of one's participation is more critical.

Good content involves relating one's comments to the subject at hand. The ability to incorporate a concept from relevant readings, or support one's position using particular evidence from the case, is preferred to a discourse presented off the top of one's head. One particularly insightful comment, reference, calculation, or conceptual application of relevant material can often be the most valuable contribution made in a session.

The timing of remarks is also important. Individuals who demonstrate attentive listening, by developing the ideas of other's, make a significant contribution not only through their comments but also by facilitating the process. This can be done by extending ideas, proposing variations, outlining inconsistencies, or suggesting alternatives. Such efforts are generally to be preferred to comments, which may be thoughtful in terms of content but ill-timed in relation to the ongoing discussion in the class.

There are certain behaviours, which can contribute to a poor discussion and as such will be viewed as negative participation. The first is a lack of courtesy. If you expect others to be quiet and attentive while you are speaking, please extend this courtesy to all participants. Some individuals will have had little experience with oral presentation of their ideas and may be apprehensive. They will be more encouraged to participate if they do not have to compete with background conversations. Other potential problems are absenteeism and tardiness. Clearly, one cannot participate if one is not present. Individuals who are late interrupt the session upon their arrival and generally do so again by either pestering their seatmates for a recapitulation or by raising an issue dealt with earlier in the class. Individuals expecting to be late or absent should attempt to contact me prior to the class.

It is my hope that the discussion portion will be relatively informal. People should feel free to interject witty comments or even some good-natured heckling, with the one provision that they be shared with the entire class. I hope that if we all come prepared each week that the experience will be both pleasant and rewarding.

## Final Examination

The final exam will be held on April 24, 2017 (Monday) @ 2:00 p.m. The final exam will be a case that is written individually. The Exam will be held in a computer lab and can be written by hand or using the computer.

If a student is absent from the final exam, they must obtain permission from the Faculty's Undergraduate Office to write a deferred final exam. Deferred final examinations will be allowed only for students following University procedures for obtaining deferrals. Students who feel that they need to miss the scheduled final examination must consult the Undergraduate Office. For more information on deferred exams, go to: <http://www.registrar.ualberta.ca/calendar/Regulations-and-Information/Academic->

[Regulation/23.5.html](#) (Section 23.5.6 of the University Regulations and Information for Students in the University Calendar). If a deferred final exam is required for this course, it will be held on a mutually agreed date and time.

### Code of Student Behaviour

Students' attention is drawn to the *Code of Student Behaviour*, which addresses plagiarism, cheating, and aiding and abetting. A copy of the Code can be obtained at:

<http://www.governance.ualberta.ca/CodesofConductandResidenceCommunityStandards/CodeofStudentBehaviour.aspx>. If you have any questions regarding this matter please speak to your instructor or the Undergraduate Office. **Ignorance is NOT a defense!!**

### Classroom Etiquette

Courtesy to the instructor, and to other students, is an important part of every class. Because some kinds of behaviour are distracting to both the instructor and to other students, it is expected that students:

- a) will arrive in class before it begins, and will stay until it is over;
- b) will not engage in side conversations with other students;
- c) will not read non-course materials; and
- d) will not use personal communication or entertainment devices in class. This includes computers used for those purposes, mp3 players, cell and smartphones, etc.

If arriving late or leaving early on a specific date is unavoidable, please advise your instructor via email in advance.

### Supplementary Readings

#### Posted on Ulearn

Eccles, R. (1983). Control with Fairness in Transfer Pricing. *Harvard Business Review* 61 (6): 149-161.

Hansen, S., D. Otley and W. Van der Stede (2003). Practice Developments in Budgeting. *Journal of Management Accounting Research* (15): 95-116.

Hope, J. and Fraser, R. (2003). Who Needs Budgets? *Harvard Business Review* 81 (2): 108-116.

Kaplan, R.S. and D.P. Norton (2008). Mastering the Management System. *Harvard Business Review* 86 (1): 63-77.

Kohn, A. (1993). Why incentive plans cannot work. *Harvard Business Review* 71 (5) (September-October): 54-60.

Merchant, K. (2002). The Case Method of Instruction: Suggestions for Students. University of Southern California A202-01, 5pp.

Simons, R. (1995). Control in an Age of Empowerment. *Harvard Business Review* 73(2): 80-88.

Class #	DATE	TOPIC	READINGS AND/OR CASE
1	Jan. 9	Introduction- to the course and to Management Control Systems	None
2	Jan. 11	Case Analysis – The Basics	Handout on Case Analysis, posted on Ulearn Merchant, 2002
3	Jan. 16	Case Analysis - Case Walk-through	Environmentally Sustainable Clothing Inc., posted on ULearn
4	Jan.18	Case Analysis - Discussion	Environmentally Sustainable Clothing Inc. posted on ULearn
5	Jan.23	Case Analysis *Intro Case Report*	<b>Intro Case:</b> Game Shop Inc. pp. 229. <b>All groups must submit a case report.</b>
6	Jan. 25	Management Control Alternatives and their effects	Chapters 1- 6 Kohn, 1995
7	Jan. 30	Management Control Alternatives and their effects	<b>Case # 1:</b> Armco Inc. pp.41
8	Feb. 1	Management Control Alternatives and their effects	<b>Case #2</b> Controls at the Bellagio Casino Resort pp. 134
9	Feb. 6	Management Control Alternatives and their effects	<b>Case # 3:</b> Lincoln Electric Company pp. 160
11	Feb. 8	Financial Results Control Systems	Chapters 7, 8 & 9, Hansen et al 2003 Hope and Fraser, 2003
12	Feb. 13	Financial Results Control Systems	<b>Case # 4:</b> Kranworth Chair Corporation pp. 275
13	Feb. 15	Financial Results Control Systems	<b>Case #5:</b> HCC Industries pp. 329
<b>February 20 - 24                      Family Day/ Reading Week                      No Classes</b>			
14	Feb. 27	Financial results Control Systems	<b>Case # 6:</b> Axelon N.V. pp.105
15	Mar. 1	Financial results Control Systems	Chapters 10, 11 & 12
16	Mar. 6	Performance Measurement issues and their effects	<b>Case # 7:</b> Loctite Company de Mexico, S.A. de C.V. pp. 55
17	Mar. 8	Performance Measurement issues and their effects	<b>Case # 8:</b> Berkshire Industries PLC pp. 439
18	Mar. 13	Performance Measurement issues and their effects	<b>Case # 9:</b> Formosa Plastics Group pp. 539
19	Mar. 15	Performance Measurement issues and their effects	Chapters 13, 14 & 15
20	Mar. 20	Corporate Governance, Control Related Roles & Ethics	<b>Case # 10:</b> Vector Aeromotive Corp pp. 567 Kaplan & Norton, 2008
21	Mar. 22	Corporate Governance, Control Related Roles & Ethics	<b>Case # 11:</b> Don Russell: Experiences of a Controller/CFO, pp.627
22	Mar. 27	Corporate Governance, Control Related Roles & Ethics	<b>Case # 12:</b> Financial reporting problems at Molex, pp. 605
23	Mar. 29	The accounting entity	<b>Case # 13:</b> The Holy See, posted on ULearn.
24	Apr. 3	Reporting, strategy and non GAAP measures	<b>Case # 14:</b> Amazon, <b>posted</b> on ULearn.
25	Apr. 5	Corporate sustainability reporting	<b>Case # 15:</b> Suncor, <b>posted</b> on ULearn.
27	Apr. 10	Summary & Final Exam Review	

Space for Notes: