

## SCHOOL OF ACCOUNTING & COMMERCIAL LAW

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# ACCY 302: ADVANCED MANAGEMENT ACCOUNTING

Trimester 2 2005

## COURSE OUTLINE

### Course Objectives

Upon successful completion of this course, you should be able to:

1. Discuss and evaluate overhead issues and allocate common and service department costs.
2. Understand process costing and be able to apply the weighted average and FIFO methods.
3. Describe and apply methods for allocating joint and by-product costs and consider cost behavioural and allocation issues.
4. Discuss capital budgeting and associated issues and apply a variety of capital budgeting and investment performance measurement techniques including ROI, Residual Income and EVA.
5. Analyse the relevant costs and revenues used in decision making and discuss and apply transfer pricing.
6. Consider the utilisation of constrained resources and discuss the Theory of Constraints (TOC).
7. Discuss strategic cost management, value chains and lifecycle reporting.
8. Explain traditional and contemporary inventory management concepts, including just-in-time (JIT) and calculate economic order quantities, reorder points and safety stock.
9. Discuss and evaluate quality management and activity-based management.
10. Examine and apply target and kaizen costing.

The comprehensive course objectives are given in a more detail on pages 7 and 8 of this outline.

### Contact Details

#### Course Co-ordinators

Administrative:	Marina Dobrovolskaya	RH 708	463-5775	<a href="mailto:Marina.Dobrovolskaya@vuw.ac.nz">Marina.Dobrovolskaya@vuw.ac.nz</a>
Academic:	Carolyn Fowler	RH 603	463-6506	<a href="mailto:Carolyn.Fowler@vuw.ac.nz">Carolyn.Fowler@vuw.ac.nz</a>

#### Lecturers

Weeks 1-4 & 7-8:	John Bradshaw	RH 617	463-5779	<a href="mailto:John.Bradshaw@vuw.ac.nz">John.Bradshaw@vuw.ac.nz</a>
Weeks 5-6 & 9-12:	Carolyn Fowler	RH 603	463-6506	<a href="mailto:Carolyn.Fowler@vuw.ac.nz">Carolyn.Fowler@vuw.ac.nz</a>

### Lecture Times and Room Numbers

- Monday, Wednesday, and Thursday 2.40 - 3.30 p.m. in RH LT1

## Course Content

The Weekly Topic Timetable of this lecture outline is a guideline only and variations may occur.

	Dates		Weekly Topic Timetable	Chapter* 1	Tutorial Sessions	All Assignments* <sup>2</sup> are due Thursdays by 2.30 p.m.
1	Jul	4 6 7	Introduction & Overhead Allocation Overhead Allocation Common and Service Department Costs	Apdx 3A Handout 15		
2	Jul	11 13 14	Common and Service Department Costs Process Costing – Average Process Costing – Average	15 4 4		
3	Jul	18 20 21	Process Costing - Average Process Costing - FIFO Process Costing - FIFO	Handout Apdx 4A Handout	Common and Service Costs Process Costing	
4	Jul	25 27 28	Joint and By-Product Costing Joint and By-Product Costing Joint and By-Product Costing	13 Handout Handout	Production & Cost Issues Case Study Overview	<i>Assignment 1 Process Costing (C4.26, C4.27 Lever Brothers)</i>
5	Aug	1 3 4	Relevant Costing and Decision Making <b>Test 1</b> Relevant Costing and Decision Making	13 13	Joint and By-Products. Unitron Corp Case Study	
6	Aug	8 10 11	Constraint Management Transfer Pricing Transfer Pricing	Handout Apdx 12A Apdx 12A	Relevant Costing and Decision Making	<i>Assignment 2 Joint and By-Products (Unitron Corp.)</i>
Mid-trimester break						
7	Aug Sept	29 31 1	Capital Budgeting Capital Budgeting Capital Budgeting	14 14 14	Skyview Manor Case Study	
8	Sept	5 7 8	ROI, Residual Income and EVA ROI, Residual Income and EVA Traditional Inventory Management	12 12 Handout	Transfer Pricing Capital Budgeting	<i>Assignment 3 Decision Making (Skyview Manor)</i>
9	Sept	12 14 15	Environmental Cost Management <b>Test 2</b> Strategic Management Accounting	Handout Handout		
10	Sept	19 21 22	Strategic Management Accounting Contemporary Inventory Management Activity Based Costing	Handout Handout 8	Value Chains Levi's Case Study	
11	Sept	26 28 29	Activity Based Management Activity Based Management Quality Management	Handout Handout Apdx 2B		<i>Assignment 4 SMA (Levi's Personal Pair Jeans )</i>
12	Oct	3 5 6	Quality Management Target and Kaizen Costing Target and Kaizen Costing	Handout Apdx A Handout	ABC and Activity Based Management	

Apdx = appendix,

\*<sup>1</sup> Please see the Topic Learning Objectives on pages 8 and 9 for details of the actual page numbers.

\*<sup>2</sup> Assignment 1 questions are from the 10<sup>th</sup> edition of the textbook, while the case studies are from Shank, J.K., (2001), Cases in Cost Management: A Strategic Emphasis, 2<sup>nd</sup> Edition, Western College Publishing: Cincinnati.

### **Textbook and Required Readings**

- Garrison, R.H., and Noreen, E.W., (2003), *Managerial Accounting*, **10<sup>th</sup> Edition**, McGraw-Hill.
- Reeve J.M., (2003), 3<sup>rd</sup> edition, *Readings and Issues in Cost Management*, South Western.
- Course Outline, and Assignment and Tutorial Book.
- Course Materials Book for Weeks 1 to 6.
- Course Materials Book for Weeks 7 to 12.

Additional readings will be used by your lecturers for some lecture topics. These will be provided to you, placed on Blackboard, or placed in the VUW Central Library on closed reserve.

### **Staff Consultation**

Students are welcome to come for consultation especially during the lecturers contact hours, which will be announced at the beginning of lectures. However, due to the large class size it is advisable to seek your tutor's help prior to approaching staff.

### **Materials and Equipment**

Materials permitted in the two tests and final examination.

- Non-programmable silent calculators.
- Non-electronic foreign language dictionaries.

### **Assessment Requirements**

***Test 1 is on Wednesday 3 August 2005 (60 minutes – 5.45-6.45 p.m.).***

*Weighting: 20% of final course mark.*

This test is on all material covered during the first four weeks of the trimester including lectures, tutorial assignments and any extra work given by the lecturer(s) and covers these topic areas: Overhead Allocation, Common and Service Department Costs, Process Costing and Joint and By-Product Costing.

***Test 2 is on Wednesday 14 September 2005 (60 minutes – 5.45-6.45 p.m.).***

*Weighting: 20% of final course mark.*

This test is on all material covered during the middle four weeks of the trimester, including lectures, assignments, tutorials and any extra work given by the lecturer(s) and covers these topic areas: Capital Budgeting, ROI, Residual Income and EVA, Relevant Costing and Decision Making, Constraint Management, Transfer Pricing and Traditional Inventory Management.

***Final 3-hour examination, held during the examination period (14 October to 5 November 2005).***

*Weighting: 60% of final course mark.*

The final examination is on all material covered during the 12-week trimester and includes:

- All material covered during the last four weeks of the trimester, including lectures, assignments, tutorials, and any extra work given by the lecturer(s) and covers these topic areas: Environmental Cost Management, Strategic Management Accounting, Activity Based Costing and Management, Contemporary Inventory Management, Quality Management, and Target and Kaizen Costing. (Weighting: 20% of final course mark).
- All material covered during the entire course/trimester (Weighting: 40% of final course mark).

These assessments meet the course objectives by:

- Covering all topics taught in the course.
- Integrating the use of case studies, as completed in the mandatory assignments, into the exam.
- Assessing the understanding and application of management accounting techniques and the evaluation of management accounting concepts.

Note: It is a good idea to retain all test scripts and assignments in case it is necessary to seek an aegrotat or clarify a recording issue.

## **Mandatory Course Requirements**

To pass this course, students must:

1. Complete and submit **FOUR assignments**; and
2. Obtain a weighted mark of 50% or more over the three items of assessment (tests and examination).

So that you are able to meet the mandatory course requirements, completed assignments will be accepted as a **late submission**, if presented to the course co-ordinator, in person, up to 2.00 p.m. on **Wednesday 12 October 2004**.

A list of those students who have not met the mandatory assignment requirements will be posted on the “Accounting” notice board and Blackboard by 2.00 p.m. on **Thursday 13 October 2004**. Students who have not met the mandatory assignment requirements will not receive a graded result for this paper, and their records will show an ungraded fail.

## **Communication of Additional Information**

Additional information concerning this course will be provided in lectures, posted on the “Accounting” notice board on the mezzanine floor of Rutherford House, and/or on Blackboard.

## **Tutorials**

You have **eight tutorial sessions** that are held during the following weeks:

*Tutorial Session 1: Week beginning Monday 18 July 2005*

Questions: Common and Service Department Costs and Process Costing

*Tutorial Session 2: Week beginning Monday 25 July 2005*

Question: Production and Cost Issues and Case Study Overview.

*Tutorial Session 3: Week beginning Monday 1 August 2005*

Questions: Joint and By-Product Costing and Unitron Corporation Case Study.

*Tutorial Session 4: Week beginning Monday 8 August 2005*

Questions: Relevant Costing and Decision Making, and Break-Even Analysis.

*Tutorial Session 5: Week beginning Monday 29 August 2005*

Question: Skyview Manor Case Study.

*Tutorial Session 6: Week beginning Monday 5 September 2005*

Questions: Transfer Pricing and Capital Budgeting.

*Tutorial Session 7: Week beginning Monday 19 September 2005*

Questions: Value Chains and Levi’s Personal Pair Jeans Case Study.

*Tutorial Session 8: Week beginning Monday 3 October 2005*

Questions: Activity Based Costing and Activity Based Management.

Please ensure you have worked through the assigned tutorial question(s) prior to your tutorial. These questions are in this assignment book. Solutions will be provided on Blackboard after the tutorials.

## **Tutorial Group Sign-up**

You will be given the opportunity to sign up for one tutorial group on a first-come-first-served basis. How, when and where will be announced during the first lecture.

The completed tutorial group lists will be posted on the “Accounting” notice board and Blackboard by 10 a.m. on Thursday 14 July 2005. Subsequent changes to that list can only be made if the course co-ordinator agrees to the change.

Your tutorial group number should be noted on all tutorial assignments.

## **Assignments**

You have **FOUR assignments** due by **2.30 p.m.** on the following days:

*Assignment No 1: Thursday 28 July 2005*

Questions: C4.26, C4.27, and Lever Brothers.

*Assignment No 2: Thursday 11 August 2005*

Case 34 - UNITRON CORPORATION (Shank),

Questions 1 to 5 only.

*Assignment No 3: Thursday 8 September 2005*

Case 29 - SKYVIEW MANOR (Shank),

Questions 1 to 6 only.

*Assignment No 4: Thursday 29 September 2005*

Case 19 – LEVI'S PERSONAL PAIR JEANS (Shank)

All questions.

*The questions for the assignments have been provided for you in this Assignment and Tutorial Book*

Please use the labels provided on the last page of this course outline. For each assignment, complete, cut out and staple the correct label to your assignment. Place your assignment in the **ACCY 302 Box** on the mezzanine floor of Rutherford House no later than 2.30 p.m. on the due date.

Your assignments must be recorded as submitted in order to comply with the mandatory course requirements. However, unexplainable recording errors and the loss of assignments do occur. For this reason, you may be required to re-submit some of your completed assignments. You should therefore retain a copy of each assignment you submit.

Assignments submitted by 2.30 p.m. on the due date, should be returned to you during the following tutorial session. The suggested solutions will be posted on Blackboard.

Note: Lecturers may assign other examples as extra "homework". The answers to these will, where available in electronic form, be provided on Blackboard.

## **Purpose of Tutorials and Assignments**

The purpose of tutorials and assignments is to prepare you for the tests and final examination, and for your future career, by giving you the opportunity to develop your knowledge, skill, and application ability levels. Consequently, completion of the assignments and attendance at tutorials is strongly advised.

The assignments are mandatory but do not contribute to your final grade, They are partially marked and these marks are recorded, This is done to provide you with feedback on your progress and to provide supporting evidence in case of an aegrotat application.

The case studies are designed to allow you to use the skills and understanding learnt in ACCY 223 and ACCY 302 and apply them to a more realistic 'real world' situation. They allow you to see how management accounting operates in its organisational context and to see how it fits strategically within a business. To reflect this philosophy there will be a case study in the final exam. A copy of the case, but not the questions, will be provided in the last lecture.

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

## **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects

of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct is on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

### **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website: [www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

### **Academic Integrity and Plagiarism**

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.*

#### ***Plagiarism is not worth the risk.***

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

*Find out more about plagiarism and how to avoid it, on the University's website at:*

[www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).

### **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

## Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz).

## Topic Learning Objectives

Note: These are only a guideline and may change.

Reference

### **Topic 1. Common and Service Department Costs**

- Review and expand overhead allocation. Chapter 3  
p. 113-118
- Allocate service department costs to other departments using the direct, step, and reciprocal method. Appendix 3A
- Consider relevant behavioural and allocation issues.
- Consider the separation of variable and fixed departmental costs and then allocate them.
- Discuss some areas of caution when allocating budgeted and actual service department costs. Chapter 15

### **Topic 2. Process Costing**

- Identify the situations in which process costing systems are used. Chapter 4
- Explain the concept of equivalent units. Handout
- Use the weighted average and FIFO methods of process costing.
- Prepare the journal entries required for process costing.
- Examine the impact of spoilage and consider other extensions to the process costing method. Appendix 4A

### **Topic 3. Joint and By-Product Costing**

- Describe joint products and discuss allocation issues. Chapter 13  
p. 606-609
- Prepare an analysis showing whether joint products should be sold at split-off or processed further. Handout
- Account for by-products using alternative methods.
- Consider relevant cost behavioural and allocation issues.

### **Topic 4. Relevant Costing, Decision Making and Constraint Management**

- Distinguish between and explain relevant and irrelevant costs. Chapter 13  
p. 584-605, 609-610
- Prepare an analysis for decisions such as:
  1. Keeping or replacing equipment.
  2. Retaining or dropping a product line or segment.
  3. Making or buying materials or parts.
  4. Accepting or rejecting a special order.
- Determine the most profitable use of a constrained resource.
- Discuss the Theory of Constraints & how it can be used to focus improvement efforts. Handout

<b>Topic 5.      <i>Transfer Pricing</i></b>	Reference
<ul style="list-style-type: none"> <li>• Describe and apply the various approaches to transfer pricing including negotiated, at cost (variable or full) and at market price.</li> <li>• Determine the range, if any, within which a negotiated transfer price should fall.</li> <li>• Discuss divisional autonomy, sub-optimization and international transfer pricing.</li> </ul>	Appendix 12A p. 554-563
<b>Topic 6.      <i>Capital Budgeting and Financial Performance Measurement</i></b>	Handout
<ul style="list-style-type: none"> <li>• Discuss capital budgeting and associated issues including criticisms of the methods used.</li> <li>• Determine the acceptability of an investment project using net present value (NPV) and internal rate of return (IRR) methods.</li> <li>• Consider the impact of automated equipment on capital budgeting.</li> <li>• Prepare an NPV analysis of two competing investment projects using the incremental and total cost approaches.</li> <li>• Consider other methods such as payback period and simple rate of return.</li> <li>• Discuss and calculate ROI and Residual Income measures and EVA<sup>®</sup>.</li> </ul>	Chapter 14
<b>Topic 7.      <i>Strategic Management Accounting</i></b>	Chapter 12 p. 542-551
<ul style="list-style-type: none"> <li>• Discuss strategic cost management.</li> <li>• Understand the concept of value chains and value chain analysis.</li> <li>• Discuss lifecycle budgeting and reporting.</li> <li>• Explain and examine environmental cost management.</li> </ul>	Handout
<b>Topic 8.      <i>Inventory Management</i></b>	
<i>Traditional Inventory Management</i>	
<ul style="list-style-type: none"> <li>• Discuss the issues associated with inventory costs.</li> <li>• Calculate the economic order quantity (EOQ), reorder point and safety stock.</li> </ul>	Handout
<i>Contemporary Inventory Management</i>	
<ul style="list-style-type: none"> <li>• Explain modern inventory management and discuss the need for change.</li> <li>• Identify the characteristics of Just-In-Time (JIT) and discuss its impact.</li> <li>• Consider the relationship between EOQ, JIT and production lot size.</li> </ul>	Chapter 1 p. 13-17 & 21-22
<b>Topic 9.      <i>Activity Based Management (ABM)</i></b>	Handout
<ul style="list-style-type: none"> <li>• Revise activity-based costing (ABC).</li> <li>• Discuss the relationship between ABC and activity based management.</li> <li>• Describe and evaluate the activity-based management process.</li> </ul>	Chapter 8
<b>Topic 10.     <i>Quality Management</i></b>	Handout
<ul style="list-style-type: none"> <li>• Describe quality assurance and Total Quality Management (TQM).</li> <li>• Explain the basic ideas behind business process re-engineering (BPR).</li> <li>• Discuss how quality management impacts on the management accounting role.</li> <li>• Identify the four types of quality costs and discuss their relationship.</li> <li>• Produce a quality report.</li> </ul>	Appendix 2B p.63-72
<b>Topic 11.     <i>Target and Kaizen Costing</i></b>	Chapter 1 p. 17-21
<ul style="list-style-type: none"> <li>• Describe target and kaizen costing.</li> <li>• Identify the steps involved in target costing and calculate the target cost for a new product or service.</li> <li>• Examine target and kaizen costing in practice.</li> </ul>	Handout
	Appendix A p.810-815
	Handout



Please use the labels provided on this page when submitting your assignments. For each assignment, cut-out and complete the correct assignment label then staple it to your assignment.

Place your assignment in the **ACCY 302 box** on the Mezzanine Floor – Rutherford House

<p><b><u>SURNAME:</u></b>.....</p> <p><b>FIRST NAME:</b>.....</p> <p><b>STUDENT ID:</b>.....</p> <p><b>TUTORIAL GROUP NUMBER:</b>.....</p> <p style="text-align: center;"><b>ACCY 302 Tutorial Assignment No 4</b> Due on Thursday 29 September 2005, 2.30 p.m.</p>	<p><b><u>SURNAME:</u></b>.....</p> <p><b>FIRST NAME:</b>.....</p> <p><b>STUDENT ID:</b>.....</p> <p><b>TUTORIAL GROUP NUMBER:</b>.....</p> <p style="text-align: center;"><b>ACCY 302 Assignment No 2</b> Due on Thursday 11 August 2005, by 2.30 p.m.</p>
<p><b><u>SURNAME:</u></b>.....</p> <p><b>FIRST NAME:</b>.....</p> <p><b>STUDENT ID:</b>.....</p> <p><b>TUTORIAL GROUP NUMBER:</b>.....</p> <p style="text-align: center;"><b>ACCY 302 Assignment No 3</b> Due on Thursday 8 September 2005, 2.30 p.m.</p>	<p><b><u>SURNAME:</u></b>.....</p> <p><b>FIRST NAME:</b>.....</p> <p><b>STUDENT ID:</b>.....</p> <p><b>TUTORIAL GROUP NUMBER:</b>.....</p> <p style="text-align: center;"><b>ACCY 302 Assignment No 1</b> Due on Thursday 28 July 2005, by 2.30 p.m.</p>