SCHOOL OF ACCOUNTING

MANAGEMENT ACCOUNTING ISSUES AND INTERNATIONAL BEST PRACTICE
(ACCT 4820)

SESSION 2 - 2004

COURSE OUTLINE

Staff:
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Room QUAD 3106
Phone 9385 5912
email: p.luckett@unsw.edu.au
COURSE STATUS AND LOCATION

Management Accounting Issues and International Best Practice is an elective subject, which has been designed for students who are interested in pursuing further studies in management accounting. The subject, thus, complements ACCT2522 Management Accounting: Process Improvement and Innovation (a prerequisite) and ACCT3583 Stakeholder Value Management (a corequisite). It does this in two ways.

- It examines in further depth and extends some of the issues and topics covered in the two core subjects.
- It introduces some new topics with the specific focus on their management accounting implications.

It is assumed that you have a good understanding of various management accounting techniques (for example, different costing methods such as standard costing and activity-based costing, budgeting, contribution margin concepts and cost-volume-profit analysis, and discounted cash flow analysis). While the emphasis is more on understanding and evaluating techniques in various contexts, you will be expected to do some analysis involving calculations. Similarly, familiarity is assumed with areas such as total quality management, continuous improvement, business process reengineering, flexible manufacturing systems, various strategies for creating a competitive advantage and value chain analysis.

COURSE THEMES

There are two main unifying themes underlying the subject.

- The first theme involves the view that the usefulness of management accounting stems from its ability to support the effective management of the total set of resources found in organizations. Accordingly, for each topic covered, consideration is given to the extent to which various techniques enable managers to utilize and control resources effectively in order to create value for stakeholders. In turn, this involves some critical analysis of the claims that are made in the literature regarding various management accounting techniques and methods.
The second theme acknowledges that management accounting systems typically operate in complex, dynamic organizational settings. Thus, it is important to understand how the design and implementation of these systems can affect the way people behave at both an individual level and in social contexts. Furthermore, consideration is given to the way in which various organizational imperatives influence system design and the way systems are used.

OBJECTIVES OF THE SUBJECT

- To review and evaluate theoretical and practical approaches to the measurement and management of performance in complex organizations.
- To review and evaluate recent developments in the design of management accounting systems that aim to support more closely strategy formulation and implementation, and resource management and control.
- To develop skills in understanding and using emergent technologies in management accounting practice.
- To understand, appreciate and analyse the behavioural and social consequences of management accounting systems in organizational settings.
- To apply the concepts, theories and technologies of contemporary management accounting practices to specific business management situations via the analysis of organizational case studies.

LEARNING OUTCOMES

As a result of satisfactorily completing this course, you will be able to:

1. Understand the issues related to the design and implementation of various performance measurement and reward systems, and critically evaluate the strengths and weaknesses of such systems;

2. Understand the role that management accounting information has to play in a variety of resource management settings in organizations, and evaluate the appropriateness of various management accounting technologies in these settings;

3. Develop skills in analysing specific business problems using various management accounting concepts and technologies and develop evaluative skills for assessing the appropriateness of suggested solutions;

4. Develop skills in presenting solutions and recommendations to specific business problems based on sound analysis and reasoning.
MAIN ISSUES ADDRESSED

The course consists of a number of modules as describe below.

- **Design and implementation of performance measurement and reward systems** (Weeks 1 to 5)

  Successful management requires that resources be employed effectively and efficiently in achieving strategic objectives. In turn, this requires information to evaluate and monitor the extent to which the objectives are being met. Moreover, performance measurement is pervasive throughout most organizations, and, in particular, has important behavioural consequences. Recently, there has been much criticism of the usefulness of traditional management accounting performance measurement systems. Here we shall examine some of the technical and behavioural issues involved in developing and using performance measures, issues related to integrating diverse sets of measures, and the nature and role of performance measurement at various organizational levels. Furthermore, as rewards and compensation are frequently linked to performance measures, we explore the factors involved and, using an agency theory framework, we shall consider the design and use of performance-based incentive contracts.

- **Cost analysis and resource management** (Weeks 6 to 9)

  The use of cost analysis for managing resources in a number of decision contexts has been subjected to close scrutiny in recent years. In particular, we shall concentrate on the debate surrounding the use of contribution margin analysis and the case for taking a more strategic approach using activity-based cost information. Next we turn to the perennial problem of managing capacity, discuss the various methods of measuring and accounting for capacity costs and examine the related topic of activity-based budgeting. As decisions relating to providing resource capacity have long-term impacts and strategic implications, these decisions can be critical to an organization’s long-term survival. We review and analyse the difficult issues facing the evaluation of long-term projects, and consider the relevance of popular discounted cash flow techniques when making strategic resource choices. We also consider how new management accounting techniques, such as activity-based costing, can be extended to other important areas in organizations. Specifically we examine the role that management accounting might play in helping understand, analyse and manage human resources and environmental issues.

- **Design and implementation of cost systems** (Weeks 10 and 11)

  These two seminars are concerned with a number of issues associated with the design and implementation of cost systems. This is accomplished by using a comprehensive case study covering the technical, behavioural and organizational issues of design and implementation. Importantly, this case highlights the necessity of studying management accounting systems in their broad organizational context. The case also affords the opportunity to examine the use of cost information for the purposes of strategic analysis.
• **New challenges for managing resources (Weeks 12 to 13)**

The final two topics are concerned with issues that are not traditionally addressed in management accounting. Firstly, advances in information technology offer many new and exciting opportunities for the conduct of business in organizations. Yet information technology solutions can involve large investments and new challenges to management. Good information is critical and we shall explore some of the ways in which management accounting may assist managers in their decision-making. Secondly, managing resources has become more relevant in a variety of non-manufacturing areas such as the service sectors, not-for-profit organizations and public sector enterprises. We examine this development in the case of the health sector where pressures on funding are now intense. Use of management accounting techniques have become more important, especially with respect to costing medical and hospital services for funding and reimbursement purposes. As will be seen, emphasis on resource management and accountability has been controversial in the health sector, especially when viewed from the perspective of doctors and medical practitioners.

**COURSE STRUCTURE**

**Conduct of Weekly Seminars**

The subject will be formally taught in a weekly 3-hour seminar. Relevant material (such as textbook chapters, journal articles and case studies) will be set for each weekly seminar and must be read prior to the seminar. In addition, you will be required to prepare formal submissions for each class (see below for further details). In particular, the cases are central to the learning process and have been selected to address the main objectives of the seminar. Most seminars will require the careful reading and analysis of one or more cases. The cases fulfil a number of purposes including opportunities:

- to illustrate issues that can arise in practice and to develop and evaluate possible responses;
- to apply various concepts and ideas found in the readings, and;
- to provide a basis for formulating general principles, solutions and strategies related to management accounting methods and techniques.

The quality of your preparation is of particular importance for your learning experiences in a case-based course. What you get out of the course will depend largely on your input, and you are encouraged to plan your time accordingly.

You are expected to participate actively in the seminars, and to ensure that everyone has this opportunity, group work and informal presentations will be an important feature of most seminars.
ASSESSMENT

The composite mark for ACCT4820 will be calculated as follows.

<table>
<thead>
<tr>
<th>Class Participation and Weekly Case Reports</th>
<th>10%</th>
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<tbody>
<tr>
<td>Individual Case Report</td>
<td>15%</td>
</tr>
<tr>
<td>Group-Based Assignment</td>
<td>25%</td>
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<tr>
<td>Final Examination</td>
<td>50%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

A passing grade in this subject depends on satisfactory performance in all parts of the course.

**Class Participation and Weekly Case Reports (10%)**

Each week, various cases and exercises will be used to help illustrate and analyse issues related to the topic area. You will be required to prepare formal responses with respect to aspects of this material. This may involve, for example, a case synopsis, specific analysis of data or problems, or preparation of recommendations based on case facts. The specific details for each week will be set out in the seminar overview. Your work will be collected at the beginning of the seminar and returned the following week. It will be graded on a three-point scale: Very Good (A), Satisfactory (B) or Unsatisfactory (C). This work will form the basis for your class participation mark. The worst two results will not count to the mark. No late submissions will be entertained. Written responses must be typed and you are required make a copy of your work for reference during the class.

**Individual Case Report (15%)**

The case report will involve analysis related to the Schrader-Bellows comprehensive case study which forms the basis for the topic covered in Weeks 10 and 11. Each student will be required to submit a short report, which involves an analysis of some of the data in the case and the presentation of recommendations to management. The aims of this report are to help you develop skills related to analysing a complex data set in a systematic manner, and to use your analysis as the basis for making defensible recommendations. Further details will be given with the material relating to Weeks 10 and 11. The report is to be submitted in class in Week 11 (Monday, 11 October, 2004).
Group-Based Assignment (25%)

The case study assignment will be submitted in Week 13 (Monday, 25 October, 2004). Each student is required to join a group to work on this assignment. Groups, of either 3 or 4 members, must be finalised by Week 3. You are strongly advised to ensure that you organise your group as quickly as possible. If you experience difficulty in this matter, please notify Peter Luckett as soon as possible.

The objectives of the case study assignment relate to developing skills in applying general concepts and theories to the specifics of a complex organisational issue, and to further your experiences related to working in a team setting. Details of the case study assignment and the related case will be handed out in Week 1 in a separate document.

Final Examination (50%)

The final examination will be a 3-hour open book exam. The open book format is used as the philosophy underlying this course is one of developing your analytical and critical skills rather than expecting you to memorize large amounts of information for exam purposes. The paper consists of two parts. Part A will involve addressing a series of questions related to the analysis of a case. You will be given a copy of this case prior to the examination. Part A is worth 40 marks. Part B requires you to write essay-type answers to three questions, each worth 20 marks. You will be given a choice from five alternatives. The normal expectation is that you would write between three and four pages when answering each question in Part B. Further details of the paper will be given in Week 14.
2. COURSE RESOURCES

TEACHING STAFF

Peter Luckett (PL) (Lecturer-in-charge)
Room QUAD 3106
Phone 9385 5912
email: p.luckett@unsw.edu.au

CONSULTATION HOURS

My consultations hours are Monday, 2pm to 3pm and Tuesday, 4pm to 5pm. In special circumstances, an appointment may be made outside regular consultation hours. I am happy to answer short enquiries by email, but will not conduct in-depth consultations by e-mail. You may, however, phone me during my consultation hours.

TEXTBOOK


RECOMMENDED READING


**COURSE WEBSITE**

A course website will be maintained within the WebCT environment. You are required to have a Unipass and Unipin to access this website. In addition, you must be enrolled in the course to access the website. This website will be updated weekly with related material and links to articles and other information relevant to the weekly topics. The website will also be used to keep you informed about various aspects of the subject, such as due dates for assignments. Other websites that provide useful content with respect to the course will be indicated by a series of hyperlinks in the course website. You are encouraged to explore these sites and learn from them. **You are advised to visit the site regularly.** We cannot place any material on the website that involves the use of student IDs or that raises issues with respect to privacy.

The following websites provide useful **support resources**:

<table>
<thead>
<tr>
<th>Website</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.student.unsw.edu.au">http://www.student.unsw.edu.au</a></td>
<td>UNSW homepage for students</td>
</tr>
<tr>
<td><a href="http://info.library.unsw.edu.au/Welcome.htm">http://info.library.unsw.edu.au/Welcome.htm</a></td>
<td>UNSW library (catalogues, info, etc.)</td>
</tr>
<tr>
<td><a href="http://www.lc.unsw.edu.au">http://www.lc.unsw.edu.au</a></td>
<td>UNSW Learning Centre (help with learning and language support, etc.)</td>
</tr>
<tr>
<td><a href="http://www.counselling.unsw.edu.au">http://www.counselling.unsw.edu.au</a></td>
<td>UNSW Counselling Service (dealing with personal issues)</td>
</tr>
<tr>
<td><a href="http://www.disconnect.unsw.edu.au">http://www.disconnect.unsw.edu.au</a></td>
<td>DIS&gt;&lt;Connect Helpdesk (UDUS, email)</td>
</tr>
</tbody>
</table>
3. STUDENT RESPONSIBILITIES

PREPARATION FOR AND PERFORMANCE IN CLASS

It is a requirement of this course that all students attempt the assigned weekly reading and prepare formal submissions as specified, prior to attending class. In addition, students are expected to participate in the class discussion.

The expected workload for an undergraduate course is 10 hours per week (on average).

ATTENDANCE REQUIREMENT

Students are expected to be regular and punctual in attendance to all classes. All applications for exemption from attendance at seminars of any kind must be made in writing to the Registrar. If you attend less than 80% (that is, 11 complete seminars) you may be refused final assessment.

Students are requested to turn off their mobile phones prior to entering the classroom.

SATISFACTORY PERFORMANCE

To be eligible for a passing grade in this course, students must (1) attain a composite mark of at least 50% AND (2) perform at a satisfactory level in each component of the composite assessment (as described above). Failure to do so may result in either supplementary assessment being required or the award of a failing grade, depending on an individual’s situation.

SUBMISSION OF INDIVIDUAL REPORT AND GROUP ASSIGNMENT

The individual report and group assignment must be submitted by the relevant due date. Failure to do so will attract a penalty which will be calculated as follows: One day late - 10% of the maximum possible mark; Two days late - 20% of the maximum possible mark; Three days late - 40% of the maximum possible mark; Four days late - 60% of the maximum possible mark; Five or more days late - 100% of the total mark.

Extensions will only be granted in exceptional circumstances. Applications for an extension must be made in writing to Peter Luckett and must be supported by medical certificates etc. The onus is on students to plan their workloads to meet the course deadlines.
SPECIAL CONSIDERATION

It should be noted that special consideration is available only to students confronting abnormal and significant difficulties in completing this course. University regulations must be consulted before applying for formal consideration. It should be noted that illness or personal problems do not ensure that supplementary assessment will be granted automatically. In addition to the normal University application for consideration, students are required to lodge a detailed written application with the Course Facilitator. Details of the consideration will be treated in confidence.

ACADEMIC MISCONDUCT

Students are reminded that the University regards academic misconduct as a very serious matter. Students found guilty of academic misconduct are excluded from the University for two years. However, because of the circumstances in individual cases, the period of expulsion can range from one session to permanent expulsion from the University.

The following are some of the actions which have resulted in students being found guilty of academic misconduct in recent years: taking unauthorised materials into an examination; submitting work for assessment knowing it to be the work of another person; improperly obtaining prior knowledge of an examination and using that knowledge in the examination; and failing to acknowledge the source of material in an assignment.

SUPPORT INFRASTRUCTURE

The following services are recommended to students requiring additional and specialised support.

Education Development Unit

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty. The EDU offers a range of services for FCE students including:

- Academic skills workshops run throughout the session;
- Printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- A drop-in resource centre containing books and audio visual material that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.

Contacts and location:
EDU Web: http://education.fce.unsw.edu.au/
EDU Location: Room 2039, Level 2 Quadrangle Building
EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

Other UNSW support

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for students. The Learning Centre is located on Level 2 of the Library and can be contacted by Phone: 9385 3890 or through their website: http://www.lc.unsw.edu.au. Students experiencing problems of an academic or personal nature are encouraged to contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418.

Learning Centre

The Learning Centre provides a free and confidential service offering learning and language support to UNSW students. Assistance is provided through workshops, discipline-based courses and individual consultations. The Learning Centre is located at Room 231, Level 2, Library Building. (Phone 9385 3890 for an appointment.)

Education Development Unit

Additional learning and language support or a ‘discipline-specific’ support class can be arranged with the Education Development Unit (EDU) in the Faculty. Students may consult the EDU for advice and assistance with assignment writing, academic reading and note-taking, oral presentation, study skills or other learning needs. The Unit is located in Room 3054, Level 3, Quadrangle Building. (Phone 9385 6163 or 9385 6087 for an appointment.)

Counselling Service

Counsellors offer assistance in planning, decision making, problem solving, and social and emotional development. The Counselling Service is located at Level 2, East Wing, Quadrangle Building. (Phone 9385 5418 for an appointment.)

Disabled Students

UNSW has a statutory responsibility to ensure that students with disabilities are able to participate in their courses on equal terms with other students.

The Equity Officer (Disability) can be contacted at the Equity & Diversity Unit, on 9385 4734 or by email L.Alsop@unsw.edu.au

The Equity & Diversity Unit website is at http://www.equity.unsw.edu.au/
## Seminar Program – Session 2, 2004

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<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Assessment Details</th>
<th>Readings</th>
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<tbody>
<tr>
<td>1</td>
<td>26 July</td>
<td>Introduction and Overview of Performance Measurement</td>
<td></td>
<td>K&amp;A, Chs. 7 &amp; 9</td>
</tr>
<tr>
<td>2</td>
<td>2 Aug</td>
<td>Decentralization and Managing through Profit Centres</td>
<td>Class Work 1</td>
<td>K&amp;A, Ch. 10 + readings</td>
</tr>
<tr>
<td>4</td>
<td>16 Aug</td>
<td>Linking Performance Measures and Reward Systems</td>
<td>Class Work 3</td>
<td>K&amp;A, Ch. 8 + readings</td>
</tr>
<tr>
<td>6</td>
<td>30 Aug</td>
<td>ABC and Strategic Cost Analysis</td>
<td>Class Work 5</td>
<td>K&amp;A, Chs. 1 &amp; 2 + readings</td>
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<tr>
<td>7</td>
<td>6 Sept</td>
<td>Managing and the Costs of Capacity and Activity Based Budgeting</td>
<td>Class Work 6</td>
<td>K&amp;A, Chs. 12</td>
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<tr>
<td>8</td>
<td>13 Sept</td>
<td>Cost Management and Project Evaluation</td>
<td>Class Work 7</td>
<td>Readings</td>
</tr>
<tr>
<td>9</td>
<td>20 Sept</td>
<td>Managing Human Resources and Environmental Issues</td>
<td>Class Work 8</td>
<td>Schrader-Bellows Case Study</td>
</tr>
<tr>
<td>10</td>
<td>4 Oct</td>
<td>Design and Implementation of Cost Systems (1)</td>
<td></td>
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<td><strong>Mid-session Break – 25 September to 4 October</strong></td>
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<td><strong>Note - Public Holiday - No Formal Class</strong></td>
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<tr>
<td>12</td>
<td>18 Oct</td>
<td>Information Technology, E-commerce and Value-Based Management</td>
<td>Class Work 9</td>
<td>Readings</td>
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<tr>
<td>13</td>
<td>25 Oct</td>
<td>Managing in the Health Sector</td>
<td>Group Assignment</td>
<td>Readings</td>
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<tr>
<td>14</td>
<td>1 Nov</td>
<td>Course Overview</td>
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