MGT 200B
Managerial Accounting

Professor Dan Weiss, CPA
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Office hours: Before and after class

The objective of this class is to learn how organizations use financial and non-financial information to create value. It provides students with up-to-date tools for using information for planning and control. This course has a decision-making approach emphasizing a conceptual framework for studying managerial accounting. It focuses on providing managers with relevant information to support their strategic planning and control activities.

Course topics include:

1. Nature of managerial accounting
2. Cost behavior and product costing
3. Activity Based Costing
4. Customer profitability analysis
5. Profit planning and budgeting
6. Profit centers and performance evaluation

TEXT MATERIALS/CASE PACKET

A case packet contains a course plan, homework assignments, a set of readings, a set of case studies, and examples I will use in class.

GRADING
1. Interim examination (60%). In class examination in the last session.
2. Case studies (30%).
3. Written assignments (10%)

All late assignments/case studies are penalized 50%. Please hand in hard copy of all assignments.
CASE PREPARATIONS

There are three cases in this class for some deep real life insights. I expect you to have read each case carefully before coming to class and to be prepared to present your case analysis in class as well as lead the class discussion. Guiding questions for all cases are in the packet. I recommend that you discuss cases in small groups before coming to class.

Case write-up

Each study group should prepare and hand-in a printed Powerpoint presentation (up to 10 slides) according to the following guidelines:

- Identify the managerial conflict.
- Answer the questions raised in the case.
- Describe the managerial implications and limitations of the model/analysis used to address the case conflict.
- Transport the model/analysis to the company of one of the members of the group.

Please also attach all Excel files used for calculations, etc.

Please bring the Powerpoint file to class.
Dan Weiss

Dr. Dan Weiss is a faculty member at The Recanati Graduate School of Business Administration, Tel Aviv University. Through his research, teaching and consulting, he has an ongoing impact on innovative accounting concepts and methodologies. Dan Weiss is responsible for many developments in these fields, including a novel development of Activity-Based-Transfer-Pricing methodology, and setting the pharmaceutical industry-standard terminology for Activity-Based-Management. Dan Weiss is a frequent presenter to executives and senior managers. He has a certificate of merit for outstanding contribution from the American Institute of Management Accountants and numerous teaching awards.
# Course Plan

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
<th>Read (MLR)</th>
<th>Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. COST ANALYSIS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1. July 25 (W) | A. Nature of cost accounting  
B. Cost concepts and behavior | Ch. 1      |                                                  |
|            |                                                                       | Ch. 2      |                                                  |
| 2. July 30 (M) | Fundamentals of cost analysis for  
decision making       | Ch. 3      | Work 2-38, 2-41, 2-44                           |
| **II. COST MANAGEMENT SYSTEMS**                                                                       |
| 3. Aug. 1 (W) | A. Fundamentals of product and  
service costing  
B. Job costing          | Ch. 5      | Work 3-40, 3-43                                 |
|            |                                                                       | Ch. 6      | Hand in 3-48, 3-54                              |
| 4. Aug. 6 (M) | Activity based costing                                               | Ch. 8      | Work 5-27,28,29,30,31,32,33, 6-31               |
| 5. Aug. 8 (W) | Cost management, customer  
profitability analysis         | Ch. 9      | Hand in JOHN DEERE Case                         |
| **III. MANAGEMENT CONTROL SYSTEMS**                                                                  |
| 6. Aug. 13 (M) | Fundamentals of management  
control systems, measuring  
performance,           | Ch. 11     | Hand in KANTHAL Case                            |
| 7. Aug 15 (W) | Business unit performance  
measurement          | Ch. 13     | Work 11-20                                     |
| 8. Aug. 20 (M) | Transfer pricing                                                | Ch. 14     | Work 13-23, 13-33, 14-18                       |
| 9. Aug 22 (W) | Planning and budgeting                                | Ch. 12     | Hand in TEVA - Transfer  
Pricing with ABC Case |
| 10. Aug 27 (M) | Will be announced                                    |            | Work 12-27                                     |
| 11. Aug 29 (W) | **EXAMINATION**                               |            |                                                  |
Questions for case preparations

1. John Deere

Suggested questions:

1. How did the competitive environment change for the John Deere Component Works between 1970 and the 1980s?

2. What caused the existing cost system to fail in the 80s? What are the symptoms of cost system failure?

3. How were the limitations of the existing cost system overcome by ABC system?

4. Compare the cost of Product A103 (See Exhibit 5) under the existing cost system and under the ABC approach (present a numerical analysis).

5. Discuss pros and cons of adopting the ABC approach from William’s point of view.

2. Kanthal

Suggested questions:

1. What was the Kanthal president, Ridderstrale, attempting to accomplish with the Account Management System? Are these sensible goals?

2. What causes a customer to be a “hidden loss”?

3. Consider a product line whose products generate a 50% gross margin (after subtracting a volume-related manufacturing and administrative expenses from
prices). The cost of handling an individual customer order is SEK 750, and the extra cost to handle a production order for a non-stocked item is SEK 2,250.

a) Compare the net operating profits of two orders, both for SEK 2,000. One order is for a stocked item and the other is for a non-stocked item.

b) Compare the operating profits and profit margins of two customers, A and B. Both customers purchased SEK 160,000 worth of goods during the year. A’s sales came from three orders, for three different non-stocked items. B’s sales came from 28 orders, of which were for stocked items and 22 for non-stocked items.

3. **Teva - Transfer Pricing with ABC**

Suggested questions:

1. Explain the batch-oriented cost structure of pharmaceutical firms. Explain advantages and disadvantages in using ABC in the pharmaceutical industry.

2. Why would not traditional transfer pricing approaches work at Teva?

3. How did the new ABC transfer pricing system affect the operations division?

4. Could the system lead to a wrong decision-making process in Teva?

5. Have you heard of a firm transferring its products to a competitor? Why did Teva do that?

6. Discuss motivations of the operations and marketing divisions’ managers.
Here comes

**John Deere Component Works (A)**

**HBR Case 9-187-107**
Here comes

Kanthal (A)

HBR Case 9-190-02
Here comes

TEVA Case
Transfer Pricing with ABC

Kaplan, Weiss, Desheh