

# Management Accounting

2007 Fall

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**Meeting Time** : 14:20pm – 17:20pm Wednesday 104, 1<sup>st</sup> Building  
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## I. Objectives

Students after completing this course are expected to:

- (1) Understand the functions of management accounting information systems;
- (2) Gain insight into the applications of the management accounting techniques to managerial decisions; and
- (3) Understand how management accounting functions add value to organizations.

## II. Textbook

Ronald W. Hilton. Managerial Accounting, 7<sup>th</sup> Edition, McGraw-Hill, 2007.

## III. Format

The course will be conducted by mixing instructors' lecture, case discussion, and project presentation. Students are strongly encouraged to participate in the class discussion.

## IV. Grading

Individual Performance	
Class Participation	10%
Mid-term Examination	35%
Final Examination	35%
Group Performance	
Case discussion	20%

## V. Topics and Schedule

\* Assignments will be announced on the next day after the class. Please check them on the website.

	<b>Date</b>	<b>Subject</b>	<b>Readings</b>	<b>Assignment</b>
1	9/18	Management decisions and accounting information	➤ Ch. 1	
2	9/26	Basic cost terms and concepts	➤ Ch. 2	
3	10/3	Product costing systems	➤ Chs. 3-4	
4	10/10	Holiday		
5	10/17	Activity-based costing and management (ABC/ABM)	➤ Chs. 5-6	
6	10/24	Cost behavior & estimation	➤ Ch. 7	
7	10/31	Cost-volume-profit analysis	➤ Ch. 8	
8	11/7	<b>Midterm Exam (Ch1~8)</b>		

	Date	Subject	Readings	Assignment
9	11/14	Case discussion: <b>Seligram</b> <i>Questions:</i> 1. What caused the existing system at ETO to fail? 2. Calculate the reported costs of the five components described in <ul style="list-style-type: none"> <li>● The existing system.</li> <li>● The system proposed by the accounting system</li> <li>● The system proposed by the consultant.</li> </ul> 3. Which system is preferable? Why? 4. Would you recommend any changes to the system you prefer? Why? 5. Would you treat the new machine as a separate cost center or as part of the main test room?		
10	11/21	Accounting information for managerial decisions	►Ch. 14	
11	11/28	Accounting information for managerial decisions	►Ch. 15	
12	12/5	Budgeting & standard costing	►Ch. 9-10	
13	12/12	Flexible budgeting & control of overhead cost	►Ch. 11	
14	12/19	Responsibility accounting & performance evaluation	►Ch. 12	
15	12/26	Transfer pricing	►Ch. 13	
16	1/2	Case Discussion: <b>Store24</b> <i>Questions:</i> 1. Why do companies measure and analyze non-financial performance metrics? In what environment is this measurement especially beneficial? 2. What is the aim of the Balanced Scorecard? What are the pros and cons of this approach? 3. Critique Store24's Balanced Scorecard. If you want to use the scorecard to test the effectiveness of the Ban Boredom strategy, what other variables would you include in the analysis? 4. Is the Ban Boredom strategy related to future financial performance? (Bob Gordon is more swayed by data analysis than by qualitative		

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		opinions) 5. What would you recommend to Bob Gordon?		
17	1/9	<b>Case Discussion: Caja España</b> <i>Questions:</i> 1. Use the adjustment rates in the (A) case's Exhibit 6 to calculate the profit of the Gradefes and Madrid-Barrio de Salamanca branches, according to the procedure described in the profitability analysis section of the case. For these calculations assume the following: (1) All mortgages are one-year adjustable-rate mortgages, and all term deposits have a three month maturity. (2) Standard costs: Branch manager _50,000 Controller 40,000 Commercial 25,000 ● Gradefes clients are mainly depositors who use intensively the ATM network and visit other branches with relative frequency. Madrid-Barrio de Salamanca is located in a commercial area of Madrid and is often used by customers of other branches (mainly from other provinces) while they shop in the area. For these reasons, Gradefes is a net payer of services to other branches for € 30,000, and Madrid-Barrio de Salamanca received in 2002 a net € 20,000 from the rest of the branch network. ● Branches receive a flat annual fee for corporate services of € 12,000 and a "usage" fee equal to _10 per customer of the branch. 2. What can you tell about the relative performance of the Gradefes branch vs. the Madrid-Barrio de Salamanca branch by looking at (A) case Exhibit 4? What can you tell from your response to question 1? Which one is a better measure of value creation for Caja España? Why? 3. What type of commercial actions would a manager be motivated to undertake if branches were judged for financial statements like those described in (A) case Exhibit 4? What type of selling effort would be spurred under a system that only rewards volume? What are the differential incentives created by a system of pool of funds like that of Caja España? 4. Page 4 of the case describes a controversy within Caja España about whether the adjustment rates should be updated monthly or only at the time the new products are sold. What would you recommend them to do? Why? To help build your arguments you may want to use the graphs in TN Exhibit 2 that describe the branch's financial margin under both methods in decreasing and increasing interest rate scenarios. 5. Why do you think it is so difficult for Caja España to build a large enough portfolio of long-term fixed-rate mortgages? What would you recommend Rojas do? Subsidize (decrease) the adjustment rate charged for that type of mortgage? (If so, who should pay for the		

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				<p>subsidy?) What about setting a volume target for mortgages? Or should they pay a commission to the branches for each mortgage sold? Why?</p> <p>6. What should Rojas do to encourage the branches to sell retirement funds? How much should the economic and legal reality of the product influence his decision?</p>
<b>18</b>	<b>1/16</b>	<b>Final Exam (all materials discussed after midterm)</b>		