

ACCTMIS 3300H — Honors Cost Accounting
Fall 2022 — Tue/Thu 2:20-3:40 — Gerlach Hall 285

"Education is not the learning of facts, but the training of the mind to think." -Albert Einstein

Instructors	Contact Information	Office Hours
Faculty:	Prof. Rick Young young.53	Wed. 10-12 & by apptmnt Fisher 410
Teaching Assistants:	Emily Pesce pesce.13	Tue. 11-12:30 Gerlach 250
	Ella Hodges hodges.462	Thu. 12:45-2:15 Mason 133

From a senior banquet: <https://www.youtube.com/watch?v=hDxHWdMT110&t=3s>

2200H Panel Session Oct. 7: Nellie Debbeler, Rob Lindner, Bryan & Sarah Martin, and Nate Palmer

Introduction

In this class we continue our study of accounting from a managerial perspective. Relative to AMIS 2300H, there will be less emphasis on cost/value and individual decision making, and greater emphasis on organizational decision making and control. As in 2300H, so that you can apply what you know to a global and dynamic economy, the course will be taught from a conceptual standpoint. "Rules, recipes and handy guidelines on how to use accounting are crutches for the less than well-prepared and responsible manager." (Demski, ch. 1).

Honors Accounting

You are now at a very important point in the Accounting Honors Program. The approach of this course, and The Program, is to provide you with foundations to help you to achieve a deep understanding of accounting issues, and thus to be in a position to appreciate the role of accounting in the economy and, more generally, in society. The hope is, by providing you with foundations, you will be able to apply the relevant concepts so that you will thrive in and improve practice. The Program's intent is not to prepare you for the CPA Examination; nor is it to train you for an entry-level job. While these issues are of concern to you at this juncture, focusing on them is certainly not the comparative advantage of the University. You were recruited and admitted to The Program because we have evidence that you have an above-average intellectual capacity and work ethic. Therefore, we expect you to be willing to think deeply and at times abstractly about accounting and business concepts. The success of The Program depends upon its students buying into the philosophy that students will be better positioned to have long lasting productive and rewarding careers if they are educated in a manner that encourages them "to learn how to learn" for themselves.

Performance Evaluation

Your evaluation will be based on (1) class preparation (40%) and (2) examinations (60%).

Class Preparation (40% total)

Think about honors courses as organizations that manufacturing a product—the product being class discussion. Course assignments, that is, the readings and problems, are the raw materials. OSU supplies the overhead (facilities). You (and I) supply the labor. Our goal is high quality classroom discussion. Diligent preparation of the assignments is (of course) a prerequisite for constructive participation in the day's discussion, and is encouraged by three graded activities: class participation, oral presentations, and written assignments. These are all, to some extent, "team" activities. *Besides impeding your learning, failure of any group member to fully participate on Problems, Essays and Outlines is considered a breach of ethics in accordance with the Honors Code.*

Numerical problems, essays, and research papers and are intended primarily to provoke your thinking, not simply to teach you an accounting procedure. Your approach to class preparation should not only include trying to come up with correct answers, but also thinking about the lessons that are being illustrated. If you take this seriously, you will be well-positioned to actively participate in class discussion.

Attendance and professional attitude (10%)

You earn up to 1/2 of these points for attendance and 1/2 for demonstrating a professional attitude towards the course. This includes being on time, prepared, attentive, and engaged. In addition, lack of attendance or negative "contributions" to the classroom discussions will detract from your grade.

Discussion leading and participation (20%)

There are two equally important components: (1) leading a discussion when called upon and (2) offering comments and questions that contribute to the classroom learning environment. You will be placed in teams of two during the first week of class. Each day one or two teams will be called on at random to talk for approximately 10-20 minutes about a problem or research paper assigned for that day in class *and to lead discussion*. *For problems*, you should talk about the main concepts from the chapter being illustrated, any difficulties you encountered or questions that occurred to you, etc. It is NOT important, nor is it normally possible, that you work through the problem in detail during the allotted time, nor even present the entire solution. Your main objective should be to lead class discussion – not to demonstrate to me that you know how to work the problem or understand the article. *For research papers* (indicated in italics in the outline below), you are required to submit an outline at the start of class in the event you are called upon that day to lead the discussion of the paper. Before you come to class, think about how you can efficiently and effectively present your ideas at the board, whether in regards to a research paper or a problem from the text.

Written assignments – Problems and Essays (10%)

Each team should submit one copy of their written assignments. In accordance with the stated purpose of providing you with incentives for preparing for class discussion, no late assignments will be accepted. However, in the event you have a university - approved reason for missing class, missing the assignment will not count against you.

Problems: Each team's problem solutions should be submitted *on Carmen for grading by the TA's*. Grades will be based primarily on effort (including neatness, organization and legibility) and completeness. If you choose to work problems on paper first, you should use a pdf scanner (hardware or mobile app) rather than taking photos of your work. Use of spreadsheets is encouraged -- on a few occasions they will be required. In the latter case, your group should submit a fully functional spreadsheet on Carmen, which the TA's will test using different parameter (input) values.

Essays: Essays and outlines should be submitted to me *hard copy at the start of class*. I will grade them based 50% on content and 50% on exposition. Except for two cases, essays are to be done jointly with your partner – I expect no spelling or grammatical errors, given that two of you are proofreading it and you have access to spell- and grammar-check programs. All essays (even short paragraphs) should be typed and double-spaced, using proper grammar and punctuation. For *research articles*, you must turn in a very brief outline of what you would present if called upon. One possible organization for your outline of your presentation of a research paper is: (1) what did they do? (2) why did they do it? (3) what did they find? (4) what does it mean? (5) what would you have done differently?

Examinations (60%)

The midterm examinations are individual, closed-book, and closed-note examinations. No makeup midterms will be given. The final examination is an individual, take-home examination will be administered according to the [University schedule](#). Makeup final exams will be permitted only if excused by University guidelines. Be sure to plan your breaks around these dates.

Attendance and professional attitude	10
Discussion leading and participation	20
Written assignments (problems and essays, 5 each)	10
Midterm (Oct. 11)	30
Final examination Dec. 6 (In-class part) / Dec. 9 (Take-home part)	<u>30</u>
	100 %

Required Materials:

Demski, J. 2010. *Managerial Uses of Accounting Information*, 2nd edition. Other readings will be emailed or posted online.

Students with Disabilities

Students with documented disabilities should feel free to inform me in private of their needs and to make arrangements with the [Office for Student Life Disability Services](#).

ACCTMIS 3300H — Tentative Course Outline*

E = examples within the chapter; P = problem at the end of the chapter

Readings and problems not from Demski text will be put online on Carmen OR at <https://u.osu.edu/young.53/home/>

(1) Tue 08/23 Cost accounting fundamentals (traditional/impressionism)

Reading: SKIM: preface, ch. 1; summaries of chapters 3-6; Advice for preparing & presenting assignments; Business Writing Tips; Feynman: excerpts from: “Dignified Professor” & “O Americano, Outra vez”; SEI 2300H 2022; SEI 3300H 2021

Problems: Running example in sections 6.2-6.4 including Tables 6.1-11. In the spirit of footnote 5, let's use T-accounts to demonstrate in theory how one would arrive at the financial statements.

(2) Thu 08/25 The “ABC's” of product costing (pun intended)

Reading: ch. 7 (read carefully 7.1-7.3 & 7.6); Demski: *Is Accounting an Academic Discipline?* Fellingham: *Is accounting an academic discipline?* Rimer: *A caution against mixing commerce & academics*

Problems: P6-7; Ralph's Joel's sophisticated special order analysis; E7.1, E7.2

Essay 1: Skim the three articles and write a 1-page typed essay summarizing and synthesizing their messages. For these and future *research articles* (in italics) you should prepare for me a hard copy of the outline you will use for your presentation and be ready to share an electronic copy of it with the class if you are called on to present.

<p>(3) Tue 08/30 Does activity-based costing (ABC) improve decisions? Reading: Noreen: <i>Conditions under which activity based cost systems provide relevant costs</i>. (SKIM) Problems: P6-17; P7-4; P7-12 (download from Carmen/Modules the E7.3 template and use it to submit your functioning Solver program for TA's to test; test it yourself with $q_1=8$, $q_2=9$, & with $q_1=0$, $q_2=9$); P7-13 Essay 2: Write one paragraph about the main theme of ch. 7. Explain how E7.3 relates to Noreen and your response to P7-4.</p>
<p>(4) Thu 09/01 Framing, information and risk Reading: ch. 8; Meder-Schwartz-Young: <i>Bandits & Bounties: The Intersection of Info. Search & Investment Decisions</i>; Dopuch: <i>Integrating Research and Teaching</i> (pp. 1-8) Problems: E 8.2; Examples in MSY on pp. 1-8. Rework your answer to Problem A (from the 2200H Final exam). Essay 3: For P8-1 provide a one paragraph response. Provide a brief summary of the Dopuch article in one paragraph.</p>
<p>(5) Tue 09/06 Framing issues and accounting standards Reading: ch. 9 Problems: P9-12, P9-13, P9-18; Verify Table 9.9 Essay 4: Explain in one page the difficulty accounting standard setters have in regulating accounting disclosures. I suggest referring to 9-3, 9-12, 9-13 and 9-18 as illustrations.</p>
<p>(6) Thu 09/08 Framing issues: An accounting disclosure example Reading: Ralph's Insurance, Meder-Schwartz-Spires-Young: <i>Structured Finance and Mark-to-Model Accounting: A few simple illustrations</i>; Excerpt from "Smartest Guys in the Room" Problems: Examples in Ralph's Insurance and MSSY.</p>
<p>(7) Tue 09/13 Decentralized organizations and participative budgeting Problems: Ralph's Partnership, Decentralized Ralph with Taxes Essay 5: Write a paragraph or so to answer each of P10-1 and P10-2. I suggest using Example 10.2, 3 and 4 as illustrations.</p>
<p>(8) Thu 09/15 Asset markets with asymmetric information and accounting Reading: JSSY: <i>Accounting, Finance and Adverse Selection: Illustrations and Applications</i> (pp. 69-76) Problems: Ralph's Fair Value Accounting; Examples on pp. 69-76 of JSSY (Akerlof Asset Market) Essay 6: Write a paragraph to explain how the "rules of the game" in the "asset market examples" compare to those in the heirloom problem.</p>
<p>(9) Tue 09/20 Adverse selection in markets Reading: JSSY: <i>Accounting, Finance and Adverse Selection: Illustrations and Applications</i> (pp. 77-101) Problems: Remainder of JSSY examples (RPM, Signaling, Screening)</p>
<p>(10) Thu 09/22 Performance evaluation basics — hidden action (moral hazard) I Reading: ch. 13 Problems: P13-6, P13-7, P13-8, P13-9 Essay 7: Explain in one page or less the sense in which course grading is a performance evaluation exercise.</p>
<p>(11) Tue 09/27 Performance evaluation basics — hidden action (moral hazard) II Problems: P13-10; P13-15; P13-14</p>
<p>(12) Tue 9/29 Optimal use of information in an agency setting I Reading: ch. 14 (study equation (6)); Sunder: <i>Adverse effects of uniform written standards on acc. practice, education and research</i> Problems: P14-8, P14-9; Essay 8: Write a one-page essay summary and critique of Sunder.</p>
<p>(13) Thu 10/04 Optimal use of information in an agency setting II Problems: P14-10, P14-11, P14-14</p>
<p>(14) Tue 10/06 Accounting-based performance evaluation (ask Nellie) Reading: ch. 16; Schwartz-Young: <i>A Few Stylized Observations on Accounting Discretion</i> Problems: P14-12; Examples in SY.</p>
<p>(15) Tue 10/11 MIDTERM</p>
<p>10/13-14 FALL BREAK</p>

<p>(16) Tue 10/18</p> <p>Reading: <i>Meder-Schwartz-Young: Bandits & Bounties: The Intersection of Info. Search & Investment Decisions (pp. 9-25, SKIM); Dopuch: Integrating Research and Teaching</i></p> <p>Problems: Ralph's Delegation</p> <p>Essay 9: Provide a brief summary of the Dopuch article in one paragraph.</p>
<p>(17) Thu 10/20 Accounting-based performance evaluation (cont.)</p> <p>Reading: <i>Merchant: How and Why Firms Disregard the Controllability Principle (SKIM)</i></p> <p>Problems: P16-5, P16-6, P16-11</p> <p>Essay 10: Write a one-page summary of Merchant; P16-1. Focus on the important aspects.</p>
<p>(18) Tue 10-25 Conditional controllability</p> <p>Reading: <i>SSY: A Teaching Note on the Controllability 'Principle' and Responsibility Accounting</i></p> <p>Problems: P16-18; Examples in SSY</p> <p>Essay 11: Briefly explain why Demski uses the term "controllability folklore" rather than the original term "controllability principle" (<i>individually-prepared essay</i>).</p>
<p>(19) Thu 10/27 Multi-task performance evaluation I</p> <p>Reading: ch. 15</p> <p>Problems: P16-19; E15.1, E15.2, E15.3</p>
<p>(20) Tue 11/01 Multi-task performance evaluation II</p> <p>Problems: E15.4, E15.5 (Note error in solution to E15.5)</p> <p>Essay 12: In one page or less, type up your answer to P15-3 (it should say "Ralph's <i>agent</i> is also expected ... "). Suggestion: think of an actual company or two that is in this same situation and how it addresses this very issue.</p>
<p>(21) Thu 11/03 Multi-task performance evaluation – Other considerations</p> <p>Problems: E15.6, E15.7; Construct a table comparing E15.1 through E15.7; P15-7, P15-8</p> <p>Essay 13: In one page or less explain what is meant by (1) good information drives out bad information and (2) bad information drives out good information.</p>
<p>(22) Tue 11/08 Endogenous reporting I</p> <p>Reading: ch. 17; <i>Bruggen-Moers: The Role of Financial Incentives & Social Incentives in Multi-Task Settings</i></p> <p>Problems: P15-9, E17.1-4</p> <p>Essay 14: Write a 1-2 paragraph essay on how multi-task incentive problems are described in Demski's ch. 15 and compare to the BM experiment.</p>
<p>(23) Thu 11/10 Endogenous reporting II</p> <p>Reading: <i>Ball I: What is the Actual Purpose of Financial Reporting? Ball II: Accounting Informs Investors and Earnings Management is Rife: Two Questionable Beliefs; Demski: Enron et al.: A Comment'</i></p> <p>Problems: E17.5, P17-4 (check figures = -2,911.57, -2,443.00, 12,273.97, 10,376.07)</p> <p>Essay 15: Write a 1-page essay summarizing Ball I and II and make connections to Demski's comment on Enron (<i>individually-prepared essay</i>).</p>
<p>(24) Tue 11/15 Accounting systems and performance evaluation</p> <p>Reading: <i>Nikias-Schwartz-Young: A Note on The Roles of Aggregation and Delay in Management Control</i></p> <p>Problems: P17-5 (check figures: -2,976.41, -698.83, 5,855.26, 1,849.94); Work the examples in the text in NSY.</p>
<p>(25) Thu 11/17 Performance evaluation: Alternative frames</p> <p>Reading: <i>Bol: Subjectivity in Compensation Contracting (SKIM); Kuang-Moser: Reciprocity and the Effectiveness of Optimal Agency Contracts</i></p> <p>Essay 16: Write a 1-page comparison of the views of incentives in Demski chapters 13-14 with that of Bol and Kuang-Moser.</p>
<p>(26) Tue 11/22 Corporate governance: A brief look</p> <p>Reading: <i>SKIM: Bebchuk-Fried: Executive Compensation as an Agency Problem</i></p> <p>Problem: P18-16</p> <p>Essay 17: Write a 1-page comparison of the views of incentives in Demski chapters 13-14 with that of BF.</p>
<p>11/23-5 THANKSGIVING BREAK</p>

<p>(27) Tue 12/1 Earnings “management”</p> <p>Reading: <i>Arya-Glover-Sunder: Are Unmanaged Earnings Always Better for Shareholders?</i> <i>SKIM: Dechow-Skinner: Earnings Management: Reconciling the Views of Accounting Academics, Practitioners, and Regulators</i></p> <p>Problems: AGS examples</p>
<p>(28) Thu 12/03 Participative budgeting</p> <p>Reading: <i>RSY (2003): On the Use of Non-binding Commitments . . .</i>; <i>RSY (2008): The effect of honesty and superior authority on budget proposals</i></p>
<p>(29) Tue 12/06 In-class part of FINAL EXAMINATION</p>
<p>Fri 12/09 Take-home part of FINAL EXAMINATION Due at 6:00 PM</p>