

AMIS 3300 Cost Accounting

Fall 2018

Class meeting:

Time and place: 9:10 MWF in SB 305
10:20 MWF in SB 305

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hours: 1:00-2:00 MW

Overview

This course surveys the theory, art, and practice (in other words, science) of cost assessment and performance reporting. Typically, the starting point of any such exercise is the organization's accounting system, both its structure and its content. Moreover, what accounting data are interesting and how they might be used depend on what the organization is seeking to accomplish and on what other information resources are available. Our study must reflect this fact. Hence, it must be contextual and it must admit to the presence of complementary and substitute sources of information.

We will focus on three areas: (1) product cost assessment; (2) use of accounting data in decision making; and (3) use of accounting data in performance evaluation. Product cost assessment is the starting point (what will it cost?), as this is where we learn about the organization's accounting system. Decision-making then enters as our first forum for moving from interrogating the accounting library to making a reasoned, professionally respectable decision. Here, decision framing and competitor interactions will be stressed. Finally, performance evaluation enters as our second forum for moving from interrogating the accounting library to making a reasoned, professionally respectable assessment of performance (did it cost too much?). Our working hypothesis is accounting aids management in its stewardship responsibilities. That is, management continuously strives to improve organizational efficiency (such as utilization of resources via a dynamic production technology, in other words, developing synergy). These efforts include designing and conducting small experiments and evaluating their evidence. Accordingly, experimental design and evaluation are foundational to our study.

Format: The course meets on a MWF schedule. Assigned homework for each day provides the basis for that day's discussion. The assigned readings and problems should be completed prior to the respective discussion. The quality of our discussions is directly reflected in the quality of our learning experience. Prepare diligently and be willing to share your thoughts.

The course is fast-paced, and serious.

Grading

Class participation, homework, making a positive contribution to the learning environment	80%
Comprehensive final exam (and any quizzes)	20%

Final Exams	10:20 section T 12/11, 10:00-11:45 am	9:10 section M 12/10, 10:00-11:45 am
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Group work

Students are encouraged to work in small groups (two to four individuals). Students may propose a work group. **Proposals are due the second Wednesday, August 29.** Final work group assignments will be disseminated by Friday, August 31. Each group will have the opportunity to lead class discussion twice during the semester. Groups may volunteer to lead the discussion on days unassigned to other groups.

Homework is collected at the **beginning** of each class (one paper per group is fine but include the name of all group members). Homework is not graded but may be used to assess your preparation for class discussion. Homework will not be returned. Students should retain a copy of their homework to facilitate class discussion.

Examinations

The final exam is a cumulative, closed-book, closed-note, in-class examination. Make-ups for the final exam will be given only for acceptable reasons in accordance with University guidelines. The final exam dates are identified above, mark them on your calendar. You must notify me in advance if you have a conflict with the exam time (including illness). Calculators are permitted but other electronic devices (e.g., mobile phones) are not.

No make-up quizzes will be offered; no quizzes are planned but that is subject to change.

Examinations are designed to serve two purposes: (1) to help you assess your comprehension of basic concepts, and (2) to help you evaluate your ability to integrate various topics discussed and to apply them. The examinations will be challenging, and (hopefully) instructive. The exam format will primarily be problems and short essay.

Textual Materials

1. Demski. *Managerial Uses of Accounting Information*, second edition, Springer, 2008, ISBN 978-0-387-77450-3.

A paperback copy of this book can be purchased through Springer's mycopy program for \$24.95 since the University's library subscribes to Springer's e-book (of course, the book is available through the library as an e-book). To purchase go to www.Springer.com on a university computer (probably won't work on your personal computer), search for *Managerial Uses of Accounting Information*, make sure it is the second edition (orange cover), select "read on-line" (may need to scroll down), select purchase this book for \$24.95 at top of page, then complete the order.

2. Additional materials are available via download from course website:
<http://u.osu.edu/schroeder.9/amis-3300/>

Tentative outline of topics and example problems for AMIS 3300 Fall 2018

Session	Topic	Reading	Homework
1	Introduction & overview	Preface & ch. 1	Ralph's Warm Up
2	Economic theory of cost	ch. 2	Ralph's Shadow
3	Economic theory of cost	ch. 2	2-11, 2-12
4	Multi-product synergistic firm	ch. 3	3-14
5	Multi-period synergistic firm	ch. 3	3-15
6	Accounting vs. economics	ch. 4	4-9 [group 1]
7	Accounting vs. economics	ch. 4	4-14 [group 2]
8	Accounting vs. economics	ch. 5	5-14 [group 3]
9	Impressionism school	ch. 6	6-13 [group 4]
10	Impressionism school	ch. 6	6-15 & supplement [group 5]
11	Modernism school	ch. 7	7-7 (hint: multiply gamma by P_1 and P_2) [group 6]
12	Modernism school	ch. 7	Ralph's Death Spiral [group 7]
13	Consistent framing	ch. 8	8-13 [group 8]
14	Consistent framing	ch. 8	8-14 [group 9]
15	Uncertainty	ch. 9	9-13 [group 10]
16	Uncertainty	ch. 9	Ralph's Probability Assignment [group 11]
17	Uncertainty	ch. 9	9-15 [group 12]
18	Uncertainty	ch. 9	9-16 [group 13]
19	Uncertainty	ch. 9	Bayesian Ralph part A & C [group 14]
20	Uncertain production	ch. 9	Ralph's synergy part C

21	Strategic framing	ch. 10	10-12 & Ralph's Heirloom Partition [group 15]
22	Strategic framing	ch. 10	10-16 [group 1]
23	Strategic framing	ch. 10	Ralph's Strategic Disclosure
24	Strategic framing	ch. 10	Ralph's Strategic Disclosure
25	Small decisions	ch. 11	11-8 [group 2]
26	Small decisions	ch. 11	11-9 [group 3]
27	Small decisions (omitted variables)	ch. 11	11-11 [group 4]
28	Small decisions (omitted variables)	ch. 11	11-12; 11-15 hint: suppose standard costing is employed, what is the role of the "plug"? [group 5]
29	Small decisions (missing data)	ch. 11 notes on projections & appendix	Ralph's Technology (part A) [group 6]
30	Small decisions (unobservables)	ch. 11 notes on projections & appendix	Ralph's Technology (part C) [group 7]
31	Large decisions	ch. 12	Ralph's NPV part A [group 8]
32	Large decisions	ch. 12	Ralph's NPV part B [group 9]
33	Long-run decisions	ch. 12 notes	Ralph's long-run frame part A [group 10]
34	Long-run decisions	ch. 12 notes	Ralph's long-run frame part B [group 11]
35	Performance evaluation	ch. 13	13-8, 13-9
36	Taxes and incentives	ch. 13	13-14 [group 12]
37	Conditional performance evaluation	ch. 14	14-14 [group 13]

38	Allocation among tasks; continuous performance measures	ch. 15	Ralph's Task Balance [group 14]
39	Accounting-based evaluation	ch. 16	16-19 correction: $\Pr(c,r H) =$ [.15, .15,.35,.35] should read $\Pr(c,r L)$ & Ralph's Responsibility Assignment [group 15]
40	Coordination	ch. 18	Ralph's Implicit Incentives
41	Coordination & professional responsibility	ch. 18, 19	18-16, Ralph's Excess part B
42	Professional responsibility	ch. 19 ch. 1 (again)	19-8
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