

California State University, Sacramento
College of Business

IMBA 210 – Managerial Accounting for Managers

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Required Reading Material:

- ❖ **Managerial Accounting for Managers**, by Noreen, Brewer, Garrison; 6th edition; McGraw-Hill Higher Education; (2023).
CONNECT online access (for e-book, SmartBook, online homework, Practice Tests, and Exams)
- ❖ **In-class lecture handout packet:** (104 pages).
- ❖ **The Goal: A Process of Ongoing Improvement**, by Eliyahu M. Goldratt, 3rd Revised Edition, The North River Press.
 - Who ever heard of a novel about a production plant? Well, Eli has made the production managers have quite an epiphany. In one book he might have changed the whole world of cost accounting. Eli approached the production world with a common-sense view. Using just one goal, making money, he referenced every activity to it. Eli said, "I view science as nothing more than an understanding of the way the world is and why it is that way." You see, Eli is a physicist, and in being one, has to understand why things work the way they do. His common-sense approach is illustrated beautifully in this novel. He has looked at cost accounting from the outside and has developed a whole new system because of it.
 - Everyone from accountants to production managers to CEO's should read this book. Because of its fundamentals, it should be part of the curriculum of every accounting program. This novel has and continues to help the industry to make strides toward continuous improvement. (Summary by Chris Hourigan, University of South Florida)
 - Goldratt -- The Goal: A Process of Ongoing Improvement, 3rd Revised Edition, The North River Press, ISBN: 978-0-88-427195-6
 - **New or used paperbacks available at Amazon.com** – (about \$21 new; \$9 used)
 - Optional: **Excellent audio version at Audible.com** – (length 11 hrs., 45 mins)

Case Studies: University of Virginia – Darden Business Publishing

- ❖ UVA-C-2193, 2194, 2195 Fine Print Company (A), (B), (C)
- ❖ UVA-C-2210, 2211 Charley's Family Steak House (A), (B)
- ❖ UVA-C-2237 Gibson Insurance Company
- ❖ UVA-C-2307, 2308 Breeden Security, Inc. (A), (B)
- ❖ UVA-C-2358 The Summer Program at Portsmouth Abbey
- ❖ UVA-C-2402, 2403, 2404 JW Sports Supplies (A), (B), (C)

Purchase a PDF copy of the case assigned to you at: <http://store.darden.virginia.edu/>

Course Overview and Description:

This course emphasizes the use of accounting information for internal planning and control purposes. This orientation contrasts with financial accounting where the focus is on accounting disclosures for parties external to the firm. This course is intended as an introduction for individuals who will make business decisions and evaluate the performance of business units using data obtained from the accounting system. Coverage includes the basic vocabulary and mechanics of cost accounting, basic issues involved in the design of a cost accounting system, and the role of management accounting in decisions concerning resource allocation and performance evaluation.

Learning Through Case Studies:

Analyzing cases is primarily a process of asking and answering questions. In studying cases, the art and skill of asking the right questions is often as important as being able to answer them. For some cases, the questions are obvious, but for most cases, there will be more questions to explore than may be apparent at first.

Your task in preparing to discuss any case is to learn the facts, identify the problems, establish goals, gather relevant information, draw conclusions, and make recommendations. For this, you must develop a list of salient questions.

One set of answers may lead to another set of questions, and so on. The process is somewhat like that of peeling an onion to get at the heart of the matter. It sharpens your analytical abilities and sets management accounting and control in the context of real business issues that require thoughtful decisions.

Learning Objectives:

1. Develop and use accounting information for management activities such as pricing, planning, performance monitoring, and decisions on alternative choices.
2. Understand and apply to managerial decisions the concepts of cost behaviors (including fixed and variable), contribution margin and break-even, cost relevance, opportunity costs, and the impact of capacity constraints.
3. Examine, design, and evaluate a company's balanced scorecard in light of the organization's strategic approach to the marketplace.
4. Analyze the interrelationships of a company's products, its control mechanisms, and its cost information system.
5. Understand the numerous business issues in a case pertaining to leadership, strategy, marketing, cost accounting and management control.
6. Use activity thinking to make strategic decisions in the costing of services and the distribution of costs among different lines of business.

Body of Knowledge Summary with Topics Covered:

1. **Cost Classifications:**

- ❖ **Product Costs** – All costs involved in acquiring or making a product, consisting of direct materials, direct labor, and manufacturing overhead. Product costs are initially assigned to an inventory account on the balance sheet. When the goods are sold, the costs are released from inventory as expenses (typically called cost of goods sold) and matched against sales revenue.
- ❖ **Period Costs** -- All non-product costs (e.g., sales commissions, rental costs of administrative offices are period costs, etc.). They are expensed on the income statement in the period in which they are incurred.
- ❖ **Variable Cost** – A cost that, in total, varies in direct proportion to changes in the activity level.
- ❖ **Fixed Cost** – A cost that, in total, remains constant irrespective of changes in the activity level.
- ❖ **Differential Cost** – A cost that differs between alternatives.
- ❖ **Opportunity Cost** -- A potential benefit that is given up by selecting one alternative over another.
- ❖ **Sunk Cost** -- A cost that has already been incurred and that cannot be changed by any decision made now or in the future. Since sunk costs cannot be changed and therefore cannot be differential costs, they should be ignored in decision making.

2. **Throughput Accounting Definitions:**

- ❖ **Constraint** – Anything inside (or outside) an organization that limits it from moving toward or achieving its goal (i.e., usually the maximization of profit).
- ❖ **Throughput** - Sales less direct materials (and out-of-pocket selling costs, if any).
- ❖ **Operating Expense** - All costs of production other than costs of direct materials (i.e., all the money an organization spends to turn direct materials into throughput). It includes direct labor and factory overhead, as well as selling and administrative costs.
- ❖ **Inventory** - the cost of direct materials that remain unsold in the form of raw materials, work in process and finished goods.
- ❖ **Drum** – the pace of operations set by the constraint.
- ❖ **Buffer** – the inventory placed in front of the constraint that protects the pace.
- ❖ **Rope** - the pull system that enforces the pace.

3. **Contribution Income Statement** -- The contribution income statement organizes costs by behavior, rather than by function. This income statement format separates costs into fixed and variable categories. Variable expenses are deducted to obtain the contribution margin. Fixed expenses are then deducted from the contribution margin to obtain net operating income.

4. **Target Profit Analysis and Break-Even Analysis** -- Target profit analysis is concerned with estimating the level of sales required to attain a specified target profit. Break-even analysis is a special case of target profit analysis in which the target profit is zero.
5. **Balanced Scorecard** -- An integrated set of performance measures that are derived from and support the company's strategy throughout the organization.
6. **Overhead Cost Allocation** -- The assignment of indirect costs to cost objects for purposes such as pricing, profitability studies, and control of spending. Activity-based costing (ABC) is one of the most sophisticated methods of overhead cost allocation.

Teaching Philosophy:

My philosophy for creating and teaching the Managerial Accounting for Managers course in the IMBA program is to provide my students a balanced combination of the following five components:

- ❖ Use of the case method and the analysis of complex problem sets,
- ❖ Facilitation of small, structured discussion groups,
- ❖ Emphasis on asking students important, thought-provoking questions,
- ❖ A balanced analysis of soft, qualitative measures with hard, quantitative measures for strategic decision making, and
- ❖ The guidance of my students as experienced managers to apply their past experiences to the analysis of new problems and then report their results and conclusions in a "board room" – simulated atmosphere.

The most difficult aspect of the case method of teaching is asking thought-provoking questions that help students focus on the most important issues in a case. I intend to provide students with opportunities to analyze managerial accounting problems on a variety of levels (practical, qualitative vs. quantitative, strategic, inter-disciplinary, global, etc.). The decision-making experience of the students will be heavily drawn upon for case analyses and a board-room atmosphere will be simulated for them to present their findings.

Course Requirements:

Class Participation

- ❖ Keep your Zoom camera on at all times during class. You must be fully present and engaged during class sessions. You are required to have access to a WebCam.
- ❖ Multitasking, such as attending class while driving or working, will not count as attendance, even if you are logged into the session.
- ❖ Be ready at all times to explain to your assigned discussion partner whatever is being taught at the time.
- ❖ Be ready at all times to ask questions either verbally to the class or on paper.

Team Case Studies

You will be evaluated on your individual written preparation of the case and your performance in assuming one of the following randomly-assigned roles in analyzing and presenting the case:

- ❖ **Chief Executive Officer (CEO)** - [*project manager, group leader, moderator*]
 - present an executive summary to introduce the case
 - keep group on assigned task within the time allowed for discussion
 - be prepared to speak on behalf of the group about the team's activities or conclusions
- ❖ **Chief Financial Officer (CFO)** - [*record keeper, number cruncher, quantitative analyst*]
 - keep records of all team activities
 - when necessary prepare PowerPoint slides of the group's discussion points and conclusions
 - keep a separate list of important questions that arise in the group discussion

Case Presentation Outline

0. Title Slide

Case Title:
Presenter Names:
Due Date:
Course Name:
Instructor Name:

1. Executive summary

- Background
- Key facts
- Salient issues

2. Questions

- List the big questions
- Sub-list the drill-down questions

3. Assumptions

- Fill in the important omissions in the case
- Defend their reasonableness

4. Decisions to be made

- Frame the major decisions
- Design the reports to inform these decisions
- Identify the data sources for these reports

5. Quantitative analysis

- Process the data
- Report the information
- **This should be the “highlight” and key section of your entire presentation – make the numbers tell a story**

6. Qualitative considerations

- Significant factors that cannot be measured effectively in numerical terms
- e.g., the effect of a decision on the morale of company employees

7. Conclusions/Recommendation

8. SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Here are some rules of thumb for your PPT presentations:

1. Your PPT presentation should include 2 or 3 slides for each section of the outline.
2. Each member of the group should present a fair amount of the slides if your group is called to present.
3. The **Questions** section: You should start with the 2 or 3 "big" questions that should be asked if you were the consulting group hired to solve this case. Underneath each of these "big" questions, you should sub list 2 or 3 "drill down" questions. You should not attempt to answer any of the questions you are posing at this point in the presentation. You are simply getting all the important questions "out on the table," to initiate and guide your analysis of the case.
4. The **Decisions to be Made** section: Remember, you are not yet "solving" the case. You are "framing" the decisions that will have to be made at the end of the analysis. These decision frames should include clear choices between definite alternatives. You do not need to reveal, at this point in the presentation, what your recommendations will be. That will come at the end.
5. The **SWOT Analysis** section should address all four quadrants of SWOT (Strengths, Weaknesses, Opportunities, and Threats). This should be your assessment of the scenario after your recommendations have been implemented.

Course Learning Journal

- ❖ Your ability to develop a personal learning journal is the capstone of the course. The learning journal will provide a framework for you to think about what you learned in the course and an opportunity to continually examine your personal development as a financial analyst, critical thinker, and executive decision-maker.
- ❖ The construction of your learning journal begins with a **daily journal** that evolves as you read about, discuss, and experience the implementation of different ideas presented in the course.
- ❖ Overall, the learning journal should capture the daily snapshots of your: 1) personal values (how you view the information offered throughout the course), 2) concepts and ideas that you have accumulated, and 3) personal reflections on your experiences, perspectives, competencies, weaknesses, and biases that the course caused you to address.
- ❖ The **final document** that you turn in should:
 - Be a condensed summary of your daily entries, organized in a manner that is easy to follow.
 - Include a cover sheet and an error-free text body from 3,000 to 5,000 words.
 - Be written in a business-writing format that is crisp, to the point, and adequately supported by examples, anecdotes, and facts.
 - Further guidance for writing the learning journal can be found at <https://www.csus.edu/indiv/p/pforsichh/IMBA210%20Course%20Learning%20Journal%20Guide.pdf>
- ❖ Your learning journal will be evaluated based on your thoughtfulness and thoroughness in addressing the following points:
 - **Growth:** Give examples of how your original ideas/concepts/beliefs about managerial accounting were challenged and adjusted. Growth may include:
 - Remembering (recall facts and basic concepts: define, duplicate, list, memorize, repeat, state)
 - Understanding (explain ideas or concepts: classify, describe, discuss, explain, identify, locate, recognize, report, select translate)
 - New knowledge that has been learned but has yet to be applied.
 - Contrary notions that have trumped your old ideas/concepts/beliefs.
 - Reinforcements and extensions to tried-and-true ideas/concepts/beliefs that you continue to retain.
 - **Application:** Apply lessons learned in the course to your own real-world experiences/environment.
 - Application means using information in new situations.
 - Key words related to application include: execute, implement, solve, use, demonstrate, interpret, operate, schedule, sketch.
 - These applications may have already occurred in your experience or you may point out potential applications that you are now able to foresee.
 - Go further than merely telling how a particular idea/concept/lesson would be applied.
 - In addition, give compelling reasons why this particular application is appropriate and will likely be successful.
 - **Analysis:** Give examples of how your analytical skills were developed and put to use.
 - Analysis involves drawing connections among ideas.
 - Key words related to analysis include: execute, implement, solve, use, demonstrate, interpret, operate, schedule, sketch.
 - Analysis is a systematic approach to problem solving.
 - Complex problems are made simpler by separating them into more understandable elements.
 - This involves the identification of purposes and facts, the statement of defensible assumptions, and the formulation of conclusions.
 - Analytical skills involve seeing relationships, determining if-then causalities, finding evidence to support a theory, and making judgments and decisions using a set of criteria.
 - **Synthesis:** Give examples of how you were able to put together separate ideas to form or establish new relationships.
 - Synthesis involves putting together ideas and knowledge in a new and unique form.
 - Key words related to synthesis include: blend, categorize, compile, compose, create, design, develop, form, fuse, imagine, integrate, modify, originate, organize, plan, predict, propose, rearrange, reconstruct, reorganize, solve, summarize, test, theorize, and unite.
 - This is where innovations truly take place. It is the process of bringing the pieces of an analysis together to make a whole.

READING ASSIGNMENTS

1. **Week 1 (Sun. Jan. 19 – Sat. Jan. 25, 2025):**

Read **75 pages** in **Managerial Accounting for Managers**, by Noreen (6e):

Chapter 1 (*Cost Concepts* – **pages 26-43**),

Chapter 2 (*Cost-Volume-Profit Relationships* – **pages 62-90**),

Chapter 5 (*Activity-Based Costing: A Tool to Aid Decision Making*– **pages 225-252**).

How to study after reading:

- Watch the three **Concept Videos** for Chapters 1, 2, and 5.
- Complete the **SmartBook** assignment for Chapters 1, 2, and 5.
- Complete the three **Practice Exams** for Chapters 1, 2, 5.
 - Unlimited attempts; Keep attempting until your score improves.
 - Learn from the feedback on the questions you miss.

An open-note exam may be administered online on Saturday, Jan. 25, 2025.

<https://connect.mheducation.com/class/pforsich-spring-2025-fri-3-7-sat-8-2>

Read **89 pages** in **The Goal: A Process of Ongoing Improvement**, by Eliyahu M. Goldratt, 3rd Revised Edition, The North River Press.

As you read the book, take notes on those pages that contain information related to accounting, the theory of constraints, or the management of the factory. A list of these pages follows:

- Chapters 1-11: **pages 6, 26-33, 41, 46, 60-61, 87-88**

2. **Week 2 (Sun. Jan. 26 – Sat. Feb. 1, 2025):**

Read **53 pages** in **Managerial Accounting for Managers**, by Noreen (6e):

Chapter 8 (*Master Budgeting* – **pages 401-428**),

Chapter 9 (*Flexible Budgets* – **pages 453-471**), and

Chapter 12 - first part only (*Balanced Scorecard* – **pages 584-589**).

How to study after reading:

- Watch the three **Concept Videos** for Chapters 8, 9, and 12.
- Complete the **SmartBook** assignment for Chapters 8, 9, and 12.
- Complete the three **Practice Exams** for Chapters 8, 9, and 12.
 - Unlimited attempts; Keep attempting until your score improves.
 - Learn from the feedback on the questions you miss.

An open-note exam may be administered online on Saturday, Feb. 1, 2025.

<https://connect.mheducation.com/class/pforsich-spring-2025-fri-3-7-sat-8-2>

Read **46 pages** in **The Goal: A Process of Ongoing Improvement**, by Eliyahu M. Goldratt, 3rd Revised Edition, The North River Press.

As you read the book, take notes on those pages that contain information related to accounting, the theory of constraints, or the management of the factory. A list of these pages follows:

- Chapters 12-17: **pages 100-102, 106-112, 116, 129, 132-134**

3. **Week 3 (Sun. Feb. 2 – Sat. Feb. 8, 2025):**

Read **183 pages** in **The Goal: A Process of Ongoing Improvement**, by Eliyahu M. Goldratt, 3rd Revised Edition, The North River Press.

As you read the book, take notes on those pages that contain information related to accounting, the theory of constraints, or the management of the factory. A list of these pages follows:

- Chapters **18-25**: **pages 138-139, 144-148, 151-161, 177-178, 183-184, 204-211,**
- Chapters **26-31**: **pages 221, 223, 232-236, 238-240, 259-260,**
- Chapters **32-37**: **pages 275-279, 298-301, 305-307, and 317-318.**

The key chapters under consideration are: **11-15, 17-19, 21-22, 25, 27-29, 31, 33, and 36-38.**

- Also, read **27 pages** in **Managerial Accounting for Managers**, by Noreen (6e): Ch 6 (*Differential Analysis: The Key to Decision Making – pp. 279-305*)

How to study after reading:

- Watch the **Concept Video** for Chapters 6.
- Complete the **SmartBook** assignment for Chapter 6.

4. **Week 4 (Sun. Feb. 9 – Sat. Feb. 15, 2025):**

No assigned readings.

IMBA 210: Tentative Schedule

Date	Time	Topic
Fri. 1/24/2025	3:00 - 7:00 pm	Course Intro; Cost Concepts; CVP
Sat. 1/25/2025	8:00 am - 2:00 pm	CVP; Decision Framing; ABC
Fri. 1/31/2025	3:00 - 7:00 pm	Master Budgeting; BSC
Sat. 2/1/2025	8:00 am - 2:00 pm	BSC; Ethics; Flex Budgeting; Relevant Costing
Fri. 2/7/2025		No Class – group work
Sat. 2/8/2025		No Class – group work
Fri. 2/14/2025	3:00 - 7:00 pm	TOC (The Goal)
Sat. 2/15/2025	8:00 am - 2:00 pm	TOC (The Goal); Case Presentations

WEEK 1

Friday, Jan. 24, 2025 – 3:00-7:00pm

- Intro to course
- Syllabus
- Case Presentation Outline
- Sample Case PPT presentations [my website]
- Course Learning Journal
- Reading Assignments
- Tentative Schedule
- Groups formed, introduced
- Creative Inquiry Exercise
- Cost flows (Ch. 1) [5-6]
- Cost behavior (Ch. 1) [7-10]
- Two income statements (Ch. 1) [11]
- CVP analysis (Ch. 2; Bike example) [12]
 - XY Chart [13]
 - Formulas [14]
- Accounting Information System Diagram [15-17]
- Dinner
- Learning journals (Growth – example on my website)

Saturday, Jan. 25, 2025 – 8:00am-2:00pm

- Review
- Breezy Boat Company (Case Inquiry with partners) [18-20]
 - Decision Framing (posted on the board)
- Lunch
- ABC and OH allocation (Ch. 6) – Classic Brass example [21-25]
- ABC – Sarver example [26-32]
- Case discussion: Fine Print Company (A), (B), (C)
- Learning Journals (Growth and Application)
- Review handout [26-32]
- Case discussion: Fine Print Company (A), (B), (C)

WEEK 2

Friday, Jan. 31, 2025 – 3:00-7:00pm

- New Groups
- Budgeting/Profit Planning (Overview of the Master Budget and its Purposes) [33-45]
- Problem 9-22 discussion: Granger Stokes (Behavioral Aspects of Budgeting: Ethics and the Manager) [46]
- Case 9-28 discussion: Ferguson & Son Manufacturing Company (Evaluating a Company's Budget Procedures) [47-48]
- Teams read and discuss the five cases -- Choose one of the cases for Weeks 3 and 4.

Saturday, Feb. 1, 2025 – 8:00am-2:00pm

- Balanced Scorecard [49-53]
- Case discussion: Weierman Department Store (Constructing a Balanced Scorecard) [54-55]
- Ethics: Teaching [57-58]
- Ethics: Assessment [59-60]
- Flexible Budgets (Static Budgets; Flexible Budgets; Overhead Performance Report) [61-72]
- Relevant Costs for Decision Making (Ch. 7) [73-87]
- Learning Journals (Application, Analysis, and Synthesis)

WEEK 3 (no class: group work)

Sunday, Feb. 2, 2025 -- Sunday, Feb. 9, 2025

- Groups work off-site on cases.
- Cases should be analyzed, solved, and prepared for a group presentation on the last day of class, Saturday, Feb. 15, 2025.
- Write in Learning Journals (Application, Analysis, and Synthesis)

WEEK 4

Friday, Feb. 14, 2025 – 3:00-7:00pm

- The Goal (Throughput Accounting; TOC) [89-104]

Saturday, Feb. 15, 2025 – 8:00am-2:00pm

- Groups present final cases
- Group self-evaluations
- Learning Journals (Application, Analysis, and Synthesis)

Learning Journals are due by 5:00 pm on Monday, Feb. 17, 2025 and are to be submitted in the Assignments module of the Canvas course website.