

Peter F. Drucker and Masatoshi Ito Graduate School of Management  
Claremont Graduate University

Management 326 Financial and Managerial Accounting  
Section 3 - Fall 2008  
Wed., 7:00 pm – 9:50 pm

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**Course overview:**

First a caveat. Management 326 is a one semester overview of financial and managerial accounting. Because of the tremendous depth and breadth of each of these two subjects, it is not reasonable to expect a mastery of either subject. We will not even try to fool ourselves that this will occur. Instead we will set attainable goals of gaining an appreciation and understanding of both financial and managerial accounting, with the knowledge that this core course is by its nature a survey course. Students who desire a more rigorous course in either financial or managerial accounting will have the opportunity to supplement Management 326 with elective courses.

That said, this course should prove very beneficial to anybody wishing to further their management study. Accounting is the language of business, and without the ability to communicate in this language you will likely feel like a foreigner in a strange land. You may think of this course as the equivalent of a Berlitz course; you may not come away fluent, but you will be able to communicate.

The course is comprised of two components; 1) financial accounting for the first two thirds, and 2) managerial accounting for the third of the course. These two components are briefly described below:

**Financial accounting:**

There are essentially two philosophies regarding the proper approach to teaching financial accounting. Perhaps the more traditional approach takes the perspective of the preparer, whereby the emphasis is on the proper recording of transactions. This debits and credits approach is very useful for anybody contemplating a career as an accountant. It is my belief that this approach is also responsible for accounting's reputation as "boring" and just a bunch of rules to be learned. We will be following a second teaching philosophy, whereby we study accounting from the perspective of the user/manager. This does not mean we will ignore debits and credits, it simply means that recording of transactions takes a back seat to a more general understanding of the underlying concepts

used to record these transactions. The ultimate goal from this section will be for you to read and understand the output from the financial accounting process, the financial statements. While this is not a class in either statement preparation or statement analysis, we will do a little of each. Still, the goal is understand the basic rules governing the preparation of financial statements, the flexibility that exists within these rules, the possible incentives of management to make choices from within these rules, and the output from this environment.

### **Managerial accounting:**

Whereas financial accounting is primarily designed to provide financial information to external decision makers, managerial accounting is primarily designed to aid internal decision makers and to support the process of goal congruence within the firm. Much of the data generated from the financial accounting system may be utilized for these purposes, however managerial accounting is not constrained by the same rules. Financial accounting data is often supplemented, depending on the situation, since the data must only meet a cost/benefit analysis. Examples of questions we will likely cover in this course includes:

- 1) How much should it cost to produce/deliver a certain good or service?
- 2) How will these costs change as output is increased?
- 3) How much do I need to sell in order to break even?
- 4) Should I outsource a task or continue to produce internally?
- 5) How are indirect costs allocated to various cost objects?
- 6) How do various allocation methods affect behavior?
- 6) Why am I over/under budget?
- 7) How do I motivate employees to work toward firm goals?

**Text:** Financial Accounting For Executives, Ferris and Wallace, Cambridge Business Publishers, ISBN 0-9787279-8-3.

**Course Packet:** There will not be a formal course packet, however there will be some readings and handouts that will be available for download from SAKAI.

**Assignments:** The class schedule below indicates which problems and cases have been assigned for each class section. All assignments from the main text should be done prior to class. These assignments are not required to be turned in; they are assigned simply to give you an opportunity to make sure you understand the material. Accounting, perhaps more than most courses you will be taking, requires you to solve problems in order to learn the material. Simply reading the text and listening in class is rarely sufficient. I will provide solutions for all these problems. I encourage you to work these problems as a group; however each student is responsible for knowing the material at test time.

In addition to the practice problems there will be one problem from each chapter of the Ferris/Wallace textbook that will be turned in. These problems, identified with an asterisk, utilize the P&G 10-K report. They are due the week following the class section when we cover the topic. We may discuss the cases during the class when they are turned in, therefore you should make a copy for yourself in addition to the copy that is turned in for a grade.

**Attendance:** It is a school policy that attendance in class is mandatory. Unlike a lot of undergraduate learning, the MBA is taught in an interactive style where you often learn a great deal from your classmates in addition to any learning imparted by the instructor.

All absences must be approved and greater than of two absences per semester will result in a failing grade.

**Special Times for the Midterm and the final:** The midterm and the final will be given during the evening 7-10 PM class. No exceptions. Be sure that you are able to take these tests at these times before enrolling in the 1-4 PM section.

**Grading and academic honesty:** Unfortunately we still assign grades in graduate school. Grading will be determined as follows:

Midterm:	35%
Final:	40%
Homework	15%
Quizzes:	10%

Grading will be according to official school guidelines

Grade anxiety seems to be a significant issue for some students in the program. I encourage you to talk to me if it is causing you undue stress. One thing important to remember is that accounting backgrounds of students in the class vary widely. While I do not attempt to factor in these differences in the final grades, I feel you should do so in interpreting your grade in the course. In other words, a student who is a CPA and controller would be expected to do quite well. However, if you've had no prior exposure to accounting, a final grade of a B might be a significant achievement.

One strategy some students have attempted in the past is to cheat. I strongly discourage this strategy. If you are caught cheating you will receive an F in the class. **I have a zero tolerance policy for cheating.** Even a small level of cheating could cause you to fail. If in doubt about what constitutes cheating, ask. In almost all cases it is quite obvious. Business schools have been criticized recently for failing to instill ethical behavior within its curriculum. My belief is that ethical behavior should not even be a choice; it should be second nature. Cheating is not a victimless crime; other students are harmed based on relative

evaluation. In addition, such behavior results in a general degradation of the entire classroom environment.

**Contract:** My pledge to you is that I will do everything within reason to aid your learning experience. This includes being fully prepared for each class. In addition, I will make every effort to assist you if you require that extra help in understanding the material. I hope that you feel comfortable requesting help if you need it. You chose the Drucker School, and I hope to convince you that you made the correct choice.

One thing that will likely stand out to you in the MBA program, when compared to most undergraduate programs, is that a lot of the learning experience comes from other students, not just from the instructor. For this to really work it is crucial that each of you contribute in the classroom. I therefore expect that you, like me, will fully prepare for each class.

**Class Schedule: (This is subject to change as the semester progresses)**

Before 1 <sup>st</sup> class	Read chapter 1 of Ferris and Wallace	
Week 1 – 9/3	Introduction to financial accounting Chapter 1	In class Case: Baron Coburg (will be handed out in class) Q1.2, 1.10, 1.11 E1.22, 1.30 *CA1.32
Week 2 – 9/10	Financial Statements Chapter 2	Q2.1, 2.3, 2.5, 2.6, 2.13 E2.16 P2.23, 2.28 *CA2.34
Week 3 – 9/17	Cash Flows Chapter 3	Q3.5, 3.6 E3.13, P3.23, 3.26 *CA3.29 parts b and c
Week 4 – 9/24	Financial Statement Analysis Chapter 4	Q4.1, 4.2 P4.24, 4.26 *CA4.32
Week 5 – 10/1	Revenue Recognition Chapter 5	Q5.1, 5.7, 5.9, E5.12, 5.15, 5.17 P5.24, 5.27, 5.29 *CA5.32
Week 6 – 10/8	Inventory and A/P Chapter 6	Q6.2, 6.5, 6.6 E6.16, 6.19, 6.20 P6.26 *CA6.33
Week 7 – 10/15	Long-Lived Assts Chapter 7 Inter-company Investments Chapter 8	Q7.1, 7.3, 7.11 E7.14, 7.16, 7.17, 7.21 Q8.1, 8.2, 8.3 E8.17, 8.18, 8.21 P8.27
Week 8 – 10/22	Midterm	
Week 9 – 10/29	Debt Financing Chapter 9	Q9.6, 9.7 E9.14, 9.16, 9.19, 9.25, P9.26 *CA9.37

Week 10 – 11/5	Liabilities- Continued Chapter 10 Stockholders' Equity Chapter 11	Q10.5, 10.7 E10.15 P10.22 *CA10.31 parts a and b  Q11.3, E11.13, 11.22 *CA11.34
Week 11 – 11/12	Cost Behavior and Decision making Parts I-IV of handout	2.1, 2.2, 2.5, 3.1, 3.16, 4.4, 4.8, 4.11, 5.2, 5.4, 5.6, 5.12, 5.13
Week 12 - 11/19	Cost Allocation Part V of handout	12.1, 12.3, 12.10, 13.3
Week 13 - 12/3	Control Issues Part VI of handout	7.17, 7.18, 8.12, 8.14
Week 14 – 12/10	Final	