THE UNIVERSITY OF HONG KONG
HKU Business School
ACCT2105
Introduction to Management Accounting
Subclass D, E, F
Syllabus – 2021 Spring Term

Instructor: Dr. Tracy GU
Email: tracygu@hku.hk
Office: 1312, KK Leung Building
Telephone: 3917-8345
Course Time: Subclass D: Mon 9:30-12:20
            Subclass E: Mon 14:30-17:20
            Subclass F: Tue 13:30-16:20
Classroom: Online
Office hours: By appointment

Tutor: Ms. Karen HUNG
Email: karenh@hku.hk
Office: 609, KK Leung Building
Telephone: 3917-4470
Tutorial Time: Tue 10:30, 11:30, 12:30, 16:30, 17:30, 18:30
Tutorial venue: Online via Zoom
Office hours: By appointment


Course materials: Lecture PowerPoint slides and assignment solutions are posted on the course Moodle for your reference.

Prerequisite: ACCT1101 Introduction to Financial Accounting

COURSE DESCRIPTION

This course provides with a systematic framework for cost concepts, and demonstrates how to make budgets and how to apply cost analysis in business decisions. Managers do not make decisions in a vacuum. In order to run a business profitably in the competitive marketplace, it is essential to accurately identify and allocate costs to products & services and conduct sound cost-benefit analysis for corporate decisions. The course will emphasize basic concepts of management accounting, such as cost classification, cost behavior, cost-volume-profit analysis, budgeting and variance analysis, and decision-making.
COURSE OBJECTIVES

The objective of this course is to develop your understanding of the basic concepts of management accounting, and shape your ability to apply the cost analysis techniques to make business decisions under various scenarios. While the development of the capability to make sound cost analysis for a complex business requires considerable practical experience, the course will provide you a sound framework to organize your thinking and strategy and help you perform well “on the job”. This knowledge will also help you pass professional examinations, such as those associated with the CMA designations.

The course emphasizes the concepts and techniques you need to determine unit product cost and to conduct cost-benefit analysis, and it also provides a platform for you to improve communication skills and develop professionalism through team work on real business cases. I believe that much can be learned from studying the problems encountered by managers in various real business scenarios.

INTENDED LEARNING OUTCOMES (ILOs)

On completion of this course, you should be able to:

ILO1. Explain cost management concepts, product costing techniques, and planning & control systems;
ILO2. Use relevant information for making decisions;
ILO3. Prepare a master budget and a flexible budget, compare the budgets with actual results, analyze and interpret variances;
ILO4. Apply Management Accountants’ Codes of Ethics to resolve an ethical situation;
ILO5. Develop verbal and writing communication skills.

ALIGNMENTS OF PROGRAM AND COURSE ILOs

<table>
<thead>
<tr>
<th>Program ILOs</th>
<th>Course ILOs</th>
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</thead>
<tbody>
<tr>
<td>1. Acquisition and internalization of knowledge of accounting, business and economics</td>
<td>ILO 1 &amp; 2</td>
</tr>
<tr>
<td>2. Application and integration of knowledge</td>
<td>ILO 3 &amp; 4</td>
</tr>
<tr>
<td>3. Inculcating professionalism and leadership</td>
<td>ILO 4 &amp; 5</td>
</tr>
<tr>
<td>4. Mastering communication skills</td>
<td>ILO 5</td>
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TEACHING AND LEARNING ACTIVITIES (TLAs)

TLA1. Situation: Interactive lectures

Basic knowledge of cost accounting and management accounting is presented with PowerPoint slides.

- In-class exercises: I will illustrate basic concepts and techniques by using examples.
- In-class discussions: I will raise discussion questions sometimes. Discussion with your peers will deepen your impression on the underlying concepts and principles involved.
- Video clips are shown for selected topics followed by in-class discussion so that you can apply basic concepts and techniques to specific real-world scenarios.

Major focus: ILOs 1, 2, 3 and 5;
Minor focus: ILO4.

TLA2. Situation: Tutorials

Practice questions and selective assignments are covered.

- Weekly tutorial assignments: assignments that reflect concepts and techniques learned are assigned to you every week. You are expected to complete these assignments on an individual basis.
- In-class interactive activities: you are required to attend all tutorials, participate in discussions, and present your answers to peers, etc.

Major focus: ILOs 1 and 5;
Minor focus: ILOs 2 and 4.

TLA3. Situation: Outside-classroom activities

- Group discussions: you are divided into groups to finish the team projects. Group members meet to discuss the projects, contribute jointly to the written reports and prepare for in-class presentation.
- Lecturer and demonstrator consultations: by appointment, lecturer (demonstrator) provides consultation weekly to address your questions and concerns.

Major focus: ILOs 1, 2 and 3;
Minor focus: ILO 4.
ASSESSMENT TASKS (ATs)

<table>
<thead>
<tr>
<th>Task</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tutorial participation and assignments</td>
<td>10%</td>
</tr>
<tr>
<td>Group report</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Test</td>
<td>35%</td>
</tr>
<tr>
<td>Final exam</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

**AT1. Tutorial Participation and Assignments (10%)**

You are encouraged to participate actively in tutorials. Absenteeism from class will negatively affect the performance. You will be evaluated on the quality and quantity of your participation. You need to complete selected assignments before tutorials and the tutor will collect them for grading then. The objective of the tutorials is to help you digest and apply the knowledge you have learned from the classes.

**Focus**: ILOs 1, 2, 4, & 5.

### Grading Criteria

<table>
<thead>
<tr>
<th>A+ A A-</th>
<th>B+ B B-</th>
<th>C+ C C-</th>
<th>D+ D</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely well prepared for class discussion, active in sharing views,</td>
<td>Partially prepared for class discussion, quite active in sharing views</td>
<td>Not well prepared for class discussion, limited active in sharing views and attended at least 70% of classes.</td>
<td>Not well prepared for class discussion, no sharing of views and attended at least 60% of classes.</td>
<td>Poorly prepared for class discussion and no sharing of views and experience and attended less than 60% of classes.</td>
</tr>
<tr>
<td>attended at least 90% of classes. Submitted all homework with 90% accuracy.</td>
<td>and attended at least 80% of classes. Submitted at least 80% of homework with 80% accuracy.</td>
<td>and attended at least 70% of views and attended at least 60% of classes.</td>
<td>and attended at least 60% of homework with 70% accuracy.</td>
<td>and attended less than 60% of the homework with less than 60% accuracy.</td>
</tr>
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</table>

**AT2. Group Report (10%)**

For group report evaluation details, please see attached document “Report Guidelines” at the end of the syllabus.

**Focus**: ILOs 1, 2, & 5.
**AT3. Midterm Test (35%) and Final Exam (45%)**

Closed book Mid-term test is arranged at **7 pm – 9 pm, 19 Mar (Friday), 2021** (Chapter 1 to Chapter 5) with online proctoring. The final examination will be held in the normal exam period. Both are closed-book. The objective of these assessments is to further enhance your understanding of the basic concepts and theories and develop your ability to apply the knowledge in business situations.

NO makeup midterm test will be offered. Absence from the midterm test with valid reason and documentations must seek my permission and approval IN ADVANCE in order to shift weightings to the final exam. A Makeup Final exam will be offered if you are absent from the final exam with valid reason and supporting documentations. Please follow the application procedures described in this link: [http://www.exam.hku.hk/B.htm](http://www.exam.hku.hk/B.htm)

Multiple choice and calculation problems are graded according to the marks assigned to each question. Essay questions are graded according to the following criteria:

**Focus:** ILOs 1, 2, 3, 4, & 5.

**Grading Criteria**

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<thead>
<tr>
<th></th>
<th>A+ A-</th>
<th>B+ B-</th>
<th>C+ C-</th>
<th>D+ D</th>
<th>F</th>
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<tbody>
<tr>
<td>Idea development</td>
<td>insightful and sophisticated; Supporting evidence is convincing, accurate and detailed. Well written with clear focus.</td>
<td>Idea development is clear and thoughtful; Supporting evidence is sufficient and accurate. Well written.</td>
<td>Idea development is simplistic and lacking in relevance; Supporting evidence is insufficient but accurate. Somewhat well written.</td>
<td>Idea development is superficial and ineffective; Supporting evidence is insufficient and inaccurate. Writing is unclear.</td>
<td>Idea development is absent; Supporting evidence is vague or missing. Poorly written.</td>
</tr>
</tbody>
</table>

**STUDY LOAD**

<table>
<thead>
<tr>
<th>Course Teaching and Learning Activities</th>
<th>Expected contact hour</th>
<th>Study Load (% of study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;L1. Interactive lectures</td>
<td>36</td>
<td>30%</td>
</tr>
<tr>
<td>T&amp;L2. Tutorials</td>
<td>10</td>
<td>8.33%</td>
</tr>
<tr>
<td>T&amp;L3. Group project, case analysis and homework</td>
<td>30</td>
<td>25%</td>
</tr>
<tr>
<td>T&amp;L4. Self-study</td>
<td>44</td>
<td>36.67%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
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</tbody>
</table>
ACADEMIC CONDUCT AND IMPORTANT POLICIES

a) Plagiarism and copying of copyright materials are serious offences and may lead to disciplinary actions. You should read the chapters on “Plagiarism” and “Copyright” in the Undergraduate/Postgraduate Handbook for details. You are strongly advised to read the booklet entitled “What is Plagiarism” which was distributed to you upon your admission into the University, a copy of which can be found at www.hku.hk/plagiarism. A booklet entitled “Plagiarism and How to Avoid it” is also available from the Main Library.

b) The course enrollment is fully handled and managed by the faculty office. Please approach the staff in the faculty office (13/F KK Leung Building) for any queries about course enrollment, class quota, etc. Lecturers have no control on the course enrollment issue under all circumstances.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Coverage</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part 1: Building Blocks of Managerial Accounting and Basic Costing Methods</strong></td>
<td></td>
<td></td>
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</tbody>
</table>
| **Week 1: Beginning 18 Jan 2021** | • Understand the role of management accountants  
• Compare management accounting and financial accounting  
• Understand today’s business environment | Chapter 1 |
| **Introduction to Managerial Accounting** | | |
| **Week 2: Beginning 25 Jan 2021** | • Basic cost concepts: cost object, direct cost vs. indirect cost, variable cost vs. fixed cost  
• Three business sectors, value chain, and inventoriable cost & period cost  
• Prepare external reporting | Chapter 2 |
| **Building Blocks of Managerial Accounting** | | |
| **Week 3: Beginning 1 Feb 2021** | • Distinguish job costing from process costing  
• Assigning costs under job costing method  
• Prepare journal entries for job order costing | Chapter 3, Appendix 3A |
| **Job Costing** | | |
| **Week 4: Beginning 8 Feb 2021** | • Assigning costs under activity-based costing (ABC)  
• Understand the benefits and limitations of ABC/ABM systems  
• Distinguish activities based costing from traditional volume based job costing  
• Lean production | Chapter 4 |
| **Activity-Based Costing** | | |
| **Week 5 and 6: Beginning 22 Feb 2021 and 1 Mar 2021** | • Assigning costs under process costing (weight average method)  
• Distinguish job costing from process costing  
• Prepare journal entries for process costing | Chapter 5 |
| **Process Costing** | | |
| **Week 7: Beginning 8 Mar 2021** | • Reading/Field Trip Week: 9 Mar – 13 Mar, 2021 | |
## Part 2: Planning, Budgets, and Evaluation

<table>
<thead>
<tr>
<th>Week 8 and 9: Beginning 15 Mar 2021 and 22 Mar 2021</th>
<th>Cost Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cost behavior and how to determine cost behavior</td>
<td>• Contribution margin income statement</td>
</tr>
<tr>
<td>• Variable costing and absorption costing</td>
<td>Chapter 6, Appendix 6A</td>
</tr>
</tbody>
</table>

### Online Closed Book Mid-term test at 7 pm – 9 pm, 19 Mar 2021 (Fri) (Chapter 1 to Chapter 5)

<table>
<thead>
<tr>
<th>Week 10: Beginning 29 Mar 2021</th>
<th>Cost-Volume-Profit (CVP) Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CVP analysis and its application</td>
<td>• Break-even and targeted profit analysis</td>
</tr>
<tr>
<td>• Product mix &amp; multiple cost drivers in CVP</td>
<td>Chapter 7</td>
</tr>
</tbody>
</table>

- *No Class on 5, 6 Apr 2021 (Mon, Tue) Happy Easter!*

<table>
<thead>
<tr>
<th>Week 12: Beginning 12 Apr 2021</th>
<th>The Master Budget</th>
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</thead>
<tbody>
<tr>
<td>• Understand basic concepts of master budget</td>
<td>Chapter 9</td>
</tr>
<tr>
<td>• How to prepare master budget</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Week 13: Beginning 19 Apr 2021</th>
<th>Standard Costs and Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Standard costs</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>• Flexible budget</td>
<td></td>
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<tr>
<td>• Variance analysis</td>
<td></td>
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</tbody>
</table>

### Notes:
- Happy Easter!
- Chapter numbers correspond to the respective sections.
# TUTORIAL SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Zoom Tutorial (Every Tuesday)</th>
<th>Topic</th>
<th>Hand-written Assignments To submit via Moodle at 9 am on Tue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1: 18 Jan – 22 Jan</td>
<td></td>
<td></td>
<td>No tutorial on 19 Jan 2021</td>
</tr>
<tr>
<td>Week 2: 25 Jan – 29 Jan</td>
<td>26 Jan 2021</td>
<td>Ch. 1</td>
<td>E1-18B, E1-19B, E1-20B</td>
</tr>
<tr>
<td>Week 3: 1 Feb – 5 Feb</td>
<td>2 Feb 2021</td>
<td>Ch. 2</td>
<td>S2-4, E2-34B, P2-44A, P2-49B</td>
</tr>
<tr>
<td>Week 4: 8 Feb – 12 Feb</td>
<td>9 Feb 2021</td>
<td>Ch. 3</td>
<td>E3-38B, E3-39B, P3-45A</td>
</tr>
<tr>
<td>Week 4: 15 Feb – 19 Feb</td>
<td></td>
<td></td>
<td>Class Suspension period for Lunar New Year (12 Feb – 18 Feb 2021)</td>
</tr>
<tr>
<td>Week 5: 22 Feb – 26 Feb</td>
<td>23 Feb 2021</td>
<td>Ch. 4</td>
<td>E4-21A, P4-39A, P4-41A</td>
</tr>
<tr>
<td>Week 6: 1 Mar – 5 Mar</td>
<td>2 Mar 2021</td>
<td>Ch. 5</td>
<td>E5-24A, P5-49A, P5-51A</td>
</tr>
<tr>
<td>Week 7: 8 Mar – 12 Mar</td>
<td></td>
<td></td>
<td>No tutorial on 9 Mar 2021, Reading week</td>
</tr>
<tr>
<td>Week 8: 15 Mar – 19 Mar</td>
<td></td>
<td></td>
<td>No tutorial on 16 Mar 2021, University Holiday</td>
</tr>
<tr>
<td><strong>Online Close Book Mid-term test at HK Time 7 pm – 9 pm, 19 Mar (Friday), 2021</strong> (Chapter 1 to Chapter 5)</td>
<td></td>
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</tr>
<tr>
<td>Week 9: 22 Mar – 26 Mar</td>
<td>23 Mar 2021</td>
<td>Ch. 6</td>
<td>E6-27A, P6-66B, P6-68B</td>
</tr>
<tr>
<td>Week 10: 29 Mar – 2 Apr</td>
<td></td>
<td></td>
<td>No tutorial on 30 Mar 2021</td>
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<tr>
<td>Week 11: 5 Apr – 9 Apr</td>
<td></td>
<td></td>
<td>No tutorial on 6 Apr 2021, Easter Holiday</td>
</tr>
<tr>
<td>Week 12: 12 Apr – 16 Apr</td>
<td>13 Apr 2021</td>
<td>Ch. 7</td>
<td>E7-37A, E7-56B, P7-63A</td>
</tr>
<tr>
<td>Week 13: 19 Apr – 23 Apr</td>
<td>20 Apr 2021</td>
<td>Ch. 9</td>
<td>P9-54A</td>
</tr>
<tr>
<td>Week 14: 26 Apr – 30 Apr</td>
<td>27 Apr 2021</td>
<td>Ch. 11</td>
<td>P11-50A, P11-51A, P11-52A*(except part 6)</td>
</tr>
</tbody>
</table>

**Note** Ch7 assignment is due on 6 April, which is the common assignment due date in all subclasses.
GROUP REPORT GUIDELINES

I. Forming Groups

You can form your own working groups in DEF subclasses. I will help if needed. The maximum group size is four. I will accept groups as small as two.

Please elect a group representative and the group representative is responsible for: (1) email Ms. Karen Hung and let her know the composition of your group members; (2) email Ms. Karen Hung and indicate the top 5 preferences of the cases (case #1 – case #7) before 10 am 20th March, 2021; (3) cc to all of your group members on that email.

II Case Reports

The written report is due at 5pm, on 7 May 2021.

For the content of reports, please fulfill the followings:

• Summarize the case information in one sentence

• Provide a brief summary of your solution to the target business problem before providing detailed solutions.

• Identify the key challenges of your project

• Describe how work tasks are distributed across your group members

• Readability and logic. Make sure that you successfully deliver the information to your reader in a way that your reader can easily understand.

• Group reports should be done independently, i.e., without consulting the Teaching Assistant or the Instructor.

• If any assumption is needed for making a judgment, you should make assumptions yourself.

• Page limit: No limit. The grading will only depend on whether you logically use the basic economic rationale to solve the problem. The number of pages should depend on the number needed to clearly communicate to your readers on the problem involved and the solutions.
Case #1A Ethics: Goldman Sachs Fraud Charges

Reading:

Braun and Tietz, Chapter 1

Prepare for class:

No materials will be provided for this project. You need to read newspapers or Internet articles to self-study the case.

The IMA Statement of Ethical Professional Practice is available here: http://www.imanet.org/pdfs/statement%20of%20Ethics_web.pdf.

The official link of SEC versus Goldman Sachs Case, see http://www.sec.gov/litigation/litreleases/2010/lr21489.htm

Assignment Questions for the Presenting Team:

1. What is the SEC versus Goldman Sachs lawsuit about in a nutshell?
2. Explain why Goldman Sachs was charged with fraud in April 2010. (Hint: You don’t need to describe the complicated financial products or concepts involved in the case. Try to tell the story in plain language to an audience without much knowledge in finance or accounting.)
3. Apply the IMA Statement of Ethical Professional Practice to analyze the Goldman Sachs case. What ethical standards are violated?
4. Briefly describe the main challenges in improving ethical situations in modern corporations.
Case #1B Ethics: Kitchen Best - Do Business in Southern China

Reading:

Braun and Tietz, Chapter 1

Prepare for class:

Case is provided separately. (Ordered from ACRC, the University of Hong Kong Business Cases)

Kitchen Best is a Hong Kong-based electrical-appliance company. The company has a manufacturing facility in China and sells its wares to customers around the world. Henry Chan, the newly appointed CEO, has ambitious plans for the business. However, a series of instances of misconduct and unethical behavior makes him realize that the business is suffering from a lack of internal control.

Assignment Questions for the Presenting Team:

1. What type of internal control mechanisms should Henry put in place to ensure the future success of the company?
2. What kinds of risks did the practice of offering and accepting kickbacks pose to the company?
3. How could Henry better monitor the business operations across the border and the conduct of staff with different backgrounds and cultural values?
Case #2A&2B Job Order Costing vs. Process Costing

Reading:

Braun and Tietz, Chapter 3

Prepare for class:

Go to www.YouTube.com and search for clips from the show Unwrapped on Food Network or How It’s made on the Discovery Channel. Select a clip for a product you find interesting.

Assignment Questions for the Presenting Team:

1. Describe the product that is being produced and the company that makes it.
2. Summarize the production process that is used in making this product.
3. What raw materials are used to make this product?
4. What indirect materials are used to make this product?
5. Describe the jobs of the workers who would be considered “direct labor” in the making of this product.
6. Describe the jobs of the workers who would be considered “indirect labor” in the making of this product.
7. Define manufacturing overhead. In addition to the indirect materials and indirect labor previously described, what other manufacturing overhead costs would be incurred in this production process? Be specific and thorough. Make reasonable “guesses” if you do not know for sure.
8. Would a job-order costing system or a process costing system be used for this production process? Give specific reasons for your choice of which costing system would be most appropriate for this manufacturer.

*Both Presenting Groups (2A and 2B) are expected to answer Assignment Question #1-8, for the products they selected and registered.
*For some of the questions, you may need to make assumptions about the production process (i.e. companies may not publicize their entire production process!!). If you make any assumptions, be sure to disclose both the assumptions and your rationale for that assumption.
Case #3A&3B Process Costing

Reading:

Braun and Tietz, Chapter 5

Prepare for class:

Go to www.YouTube.com and search for clips from the show Unwrapped on Food Network or How It’s made on the Discovery Channel. Select a clip for a product you find interesting.

Assignment Questions for the Presenting Team:

1. Describe the product selected.
2. Summarize the production process.
3. Justify why you think this production process will dictate the use of a process costing system.
4. List at least two separate processes that are performed in creating this product. What departments would house these processes?
5. Describe at least one department that would have ending work in process. What do the units look like as they are “in process”?

*Both Presenting Groups (3A and 3B) are expected to answer Assignment Question #1-5, for the products they selected and registered.
*For some of the questions, you may need to make assumptions about the production process (i.e. companies may not publicize their entire production process!!). If you make any assumptions, be sure to disclose both the assumptions and your rationale for that assumption.
Case #4A Activity-based Costing: WOW Company

Reading:

Braun and Tietz, Chapter 4

Prepare for class:

Source: The Case of WOW Activity-based Costing is available for download from Course Moodle, in the file folder named “WOW”. If you have any difficulty downloading the case, please let Mr. Steven Lee know.

Assignment Questions for the Presenting Team:

1. WOW wants to determine the differences the use of activity-based costing might identify for Milpitas and Amboy. Using the activities already specified, perform an ABC analysis.
   a. Perform the first-stage allocation of costs to the activity cost pools.
   b. Compute the activity rates for the activity cost pools.
   c. Compute the overhead costs of serving Milpitas Builders.
   d. Compute the overhead costs of serving Amboy Construction.

2. Interpretation and Discussion
   a. Does WOW appear to be losing money on either customer? Explain.
   b. Do the traditional and activity-based costing systems agree concerning the profitability of the customers? If they do not agree, which costing system do you believe? Why?
Case #4B Decision Making: BW Manufacturing Company

Reading:

Braun and Tietz, Chapter 8

Prepare for class:

Case is provided separately. (Ordered from HBP, Harvard Business School Cases)

A small manufacturer of gas grills is making final changes to its 2009 operating budget and considering several changes in pricing, advertising, and product availability. This short case addresses the topic of contribution analysis as an easy way to analyze profit planning issues such as adding or dropping a product or service; changing a price; adding or decreasing expected volumes; or preparing a profit budget. In this situation there are three products, each with different proportions of variable and fixed costs. The product with the highest profit/unit on a full cost basis has the lowest contribution/unit on a variable cost basis, and vice versa. Four different marketing plans are proposed before one is finally adopted as the plan for the year. At year end, the actual results can be compared to the budget and to a flex or adjusted budget based on the actual product volumes realized. The numbers are simple and the students can readily see the benefit of variable costing.

Assignment Questions for the Presenting Team:

1. Should BW drop Grill A? The owners wanted to know the impact of dropping Grill A from their line of products. Richardson was told to assume that the volumes and selling prices of the other two products would be the same whether or not the Grill A product line was dropped.
2. Should BW lower the price of Grill C? The owners wanted to know the impact if they lowered the price of Grill C to $75 and if doing so led to a 20,000-unit increase in sales of Grill C.
3. Should BW change its advertising focus? The owners wanted to know the impact of a 10,000-unit increase in Grill C volume and a related 10,000-unit decrease in Grill A volume because of a shift in advertising emphasis.
Case #5A Variable Costing and Absorption Costing: Landau Company

Reading:

Braun and Tietz, Chapter 6

Prepare for class:

Case is provided separately. (Ordered from HBP, Harvard Business School Cases)

The CEO of a manufacturing company is assessing the value of variable costing as opposed to full-absorption costing.

Assignment Questions for the Presenting Team:

1. Explain the reasons for the $29,287 difference in July ($65,099 - $35,812) between income before taxes under the two different methods. Be very specific in listing the elements that caused the difference.
2. Critique the various pros and cons of the variable costing proposal that were presented in the meeting. What arguments would you add?
3. Assess Mr. Silver’s arguments concerning products 129 and 243. If he could emphasize only one product, which one should it be? Why?
4. Should Landau adopt variable costing for its monthly income statements? Why or why not?
Case #5B Standard Costing: iPhone Contractor Danshui Plant No. 2

Reading:

Braun and Tietz, Chapter 11

Prepare for class:

Case is provided separately. (Ordered from HBP, Harvard Business School Cases)

Danshui Plant No. 2 in southern China has a one-year contract with Apple Inc. to assemble 2.4 million iPhones. In the first three months of the contract, the plant is unable to assemble as many phones as expected and is operating at a loss. The plant manager must analyze the budget and prepare a summary of monthly operations to help identify the source of performance problems. The plant has had difficulty hiring enough workers despite raising wages over 30%. In addition, the assembly process for an iPhone is complicated, with 140 steps involving over 100 components. The plant manager considers whether a flexible budget would be more useful for uncovering problems than the static budget currently being used. Students must perform breakeven and flexible budget analyses and calculate price and usage variances as they consider solutions for the plant's problems with the iPhone contract.

Assignment Questions for the Presenting Team:

4. Using budget data, how many Apple iPhone 4’s would have to have been completed for Danshui Plant No.2 to break even?
5. Using budget data, what was the total expected cost per unit if all manufacturing and shipping overhead (both variable and fixed) were allocated to planned production? What was the actual cost per unit of production and shipping?
6. Prepare a flexible budget for 180,000 iPhone 4’s and calculate flexible budget variances using actual costs for August.
7. Prepare variance analysis for flash memories for August.
8. What are some strategies or decisions that Wentao Chen should consider in trying solving the problems with the Apple iPhone 4 contract in the next nine months? How would these changes and profitability of Danshui Plant No. 2 and the iPhone 4 contract?
Rubrics for Assessing Case Reports (6 points)

Instructor version

Group Member & UID:

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Subclass Number:  Case Number:  Overall score:

| Content and Knowledge | • Introduction of the case and conclusion are clear and concise. |
|                       | • The purpose of the case is clearly stated.                  |
|                       | • The content is well organized and easy to follow.           |
|                       | • Key areas of the project topic are adequately covered.      |
|                       | • Materials are accurate, relevant and well prepared.         |
|                       | • Assumptions (if any) are clearly and concisely explained.   |
| Promote Learning      | • Either promote learning of course materials (i.e. help audience to better grasp course materials) |

The group’s strengths:
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Areas that the group needs to improve on:
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