

**HONG KONG BAPTIST UNIVERSITY  
SCHOOL OF BUSINESS**

**Department of Accountancy and Law  
Course Code and Title: ACCT7220 – Strategic Management Accounting and Controls**

**I. Information on Instructor**

**Instructor:** Associate Professor Neale O'Connor

**Office:** WLB610; **Office Tel:** 3411 5560

**Office Hours:** Wednesday 2:30 – 5:30 PM; other times by appointment only

**Prerequisite:** Nil

**Primary Textbook:**

1. Horngren, Datar and Rajan, *Cost Accounting: A Managerial Emphasis*, Fifteenth edition, Pearson Publishing, 2014.

Another textbooks:

2. Drury, C. (2015). *Management and Cost Accounting* (9th ed.). London: Thomson Learning.
  3. Drury, C. (2009). *Management Accounting for Business Decision* (4th ed.). London: Thomson.
  4. Zimmerman, J. (2014) *Accounting for Decision Making and Control* (8th ed.) McGraw-Hill.
  5. Garrison, H. R., Noreen, E., & Brewer, P. C., (2015). *Managerial Accounting* (14th ed.). Boston: McGraw-Hill/Irwin.
- Merchant, K. A., & Van der Stede, W. A. (2011). *Management Control Systems: Performance Measurement, Evaluation and Incentives* (3rd ed.). Harlow; New York: Financial Times Prentice Hall.

**II. Course Description:**

This course aims to provide students with an understanding of strategic management accounting. It examines the strategy formation processes, including data gathering structures and SWOT analysis. Performance measurement within the strategic management process will also be examined. This course also aims to provide an understanding of the management control systems as well as the use of management accounting information in business financial decision making process. Particular attention is given to the management control environment and process.

**III. Learning Outcomes**

On completion of this course, students will be able to:

**ILO1. Recognize the roles of strategic management accounting in the process of implementing organizational strategies. (Explain and account for the implementation of Strategy)**

1. Compare and contrast the four phases of building a strategy
2. Apply the strategy model to assess a firm's strategic competitive advantage
3. Prepare a strategy map that links the firm's strategy to various operational objectives; develop financial and non-financial performance measurements that match the various objectives of the firm
4. Compare and contrast the four balanced scorecard perspectives
5. Recall and describe the principles of the balanced scorecard
6. Recall and describe the benefits of the balanced scorecard
7. Evaluate the implementation issues associated with the balanced scorecard and how to overcome these
8. Make decisions based on understanding the causal business model of the firm and related financial and non-financial performance measures.
9. Interpret the output of the simulation game play with respect to the principles of the balanced scorecard

**ILO2. Apply relevant management accounting knowledge and skills to generate relevant accounting information for business decision makings. (Apply activity based management, value chain analysis, and cost of quality approaches for cost control and decision making)**

10. Distinguish between activity based costing and activity based management
11. Apply value chain analysis to find costs for the purposes of determining customer profitability, supplier

cost reasonableness or product design costs

12. Able to use cost allocation to measure customer profitability, supplier cost reasonableness, and product design costs.
13. Able to distinguish between value chain analysis, process innovation and process reengineering
14. Able to draw a value chain of a firm that shows value-added and non-value-added activities
15. Able to use a root cause diagram to understand the activity improvement opportunities
16. Able to compute the costs of non-value added activities
17. Able to develop performance measures that fit various types of activities in the value chain
18. Able to categorize the various quality costs of the firm for assessing the quality performance of the firm
19. Able to recall and calculate the measures used to evaluate the ability of the firm to compete on time

***ILO3. Identify the components of responsibility accounting and design appropriate accounting procedures to implement responsibility accounting (Able to develop and apply management control systems for different purposes)***

20. Able to distinguish between the three responsibility centre approaches – activity, functional and strategic
21. Compare and contrast the controls used in the three types of responsibility centers
22. Able to assess the strengths and weaknesses of decentralization
23. Able to explain the logic of knowledge transfer costs and agency costs in the firm
24. Evaluate the pros and cons (strengths and limitations) of different control mechanisms with respect to the firm environment
25. Able to apply transfer pricing methods to solve control (interdependency), make or buy and outsourcing problems.
26. Evaluate the pros and cons (strengths and limitations) of different transfer pricing approaches

***ILO4. Design appropriate budgetary control system to implement business plans of varied kinds of organizations, including non-for-profit organizations. (Explain and apply service department cost allocation approaches for decision making)***

27. Explain and distinguish the reasons for cost allocation
28. Explain and distinguish between the cost allocation principles – the basis of cost allocation
29. Match the reason for cost allocation with the basis of cost allocation
30. Able to recall the traditional and contemporary approaches in assigning overhead costs and their effects on measuring cost objects (e.g., products, services)
31. Apply cost allocation principles to the allocation of service dept costs
32. Suggest strategies for using multiple cost allocation bases in the same firm
33. Compare and contrast the information and incentive problems associated with different cost allocation bases

***ILO5. Conduct performance evaluation and variance analysis in respect of standard costing. (Able to develop and apply management control systems for different purposes)***

34. Explain how an input/output process model can be used to develop performance measures
35. Able to develop performance measures to fit the strategy map of a firm.

Teaching & Learning Activities:	Learning Outcome addressed:						Learning Outcome addressed							
	1	2	3	4	5		1	2	3	4	5			
Lecture	<input type="checkbox"/>		<input type="checkbox"/>			Services Learning								
Guest speakers						Internship								
Case Study		<input type="checkbox"/>				Field study								
Role playing						Company visits								
Student presentation		<input type="checkbox"/>	<input type="checkbox"/>			e-learning								
Project		<input type="checkbox"/>			<input type="checkbox"/>	Independent study								
Simulation game						Others								
Exercises and problems				<input type="checkbox"/>	<input type="checkbox"/>									
Major Assessment Methods:  For each Major Assessment Method below, please indicate the specific pedagogical /assessment methods involved (by putting	Case Study	Role Playing	Student Presentation	Individual project/paper	Group Project/paper	Simulation Game	Exercises & problems	Service learning	Internship	Field Study	Company visits	Written examination	Oral examination	Learning Outcome address
Class Participation/ Discussion (10%)	<input type="checkbox"/>						<input type="checkbox"/>							2 to 5
Assignment(s) (40%)	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									1 to 5
Test(s) (%)														
Examination (50%)												<input type="checkbox"/>		1 to 5
Others (please specify) (%)														
Course Web:	Course templates are available at BU eLearning (formerly called "BU Moodle"), programme website and Staff Area in School website ( <i>for staff only</i> ).													

<u>Assessment Method</u>	<u>Weighting (in %)</u>	<u>Due Date</u>	<u>Details</u> Note that all assignments are due at the <i>beginning</i> of the class on the due date.
<u>Class Participation / Exercises / Discussion (P)</u>	10%	Throughout semester	<p><u>Details of assessment criteria</u></p> <p>Each group will be assigned a case study to present and lead the class discussion from the exercise nominated in the Chapter of a particular week – beginning in week 3 – submit a one page (max) summary on the exercise.</p> <p><b>General Guidelines for Participation in Class</b>  <i>Good participation grades are assigned to students who:</i></p> <ul style="list-style-type: none"> <li>- Ask insightful, penetrating questions</li> <li>- Push the discussion of the case to a higher, more sophisticated level</li> <li>- Help other students and myself understand, in a constructive manner, that some of the arguments that have been voiced are somehow flawed or incomplete.</li> </ul> <p><i>Poor participation grades are assigned to students who:</i></p> <ul style="list-style-type: none"> <li>- Rarely talk</li> <li>- Skip classes</li> <li>- Make irrelevant, shallow comments</li> <li>- Are unprepared when they are called on.</li> </ul> <p>(A) Making at least 8 comments on Youtube over 8 weeks (can be sent to my RA via email) – start counting every Friday morning from week 3</p> <ul style="list-style-type: none"> <li>- Week 3 – count 2 comments for week 2 and 3</li> <li>- Week 4 onwards – count comments for videos assigned in that week (8 Marks)</li> <li>- Two sentences or more – made by same date as Lecture (Week 2 – Week 10)</li> <li>- For example – a comment is a sentence that expresses an idea that you got from the video</li> </ul> <p>(B) Presenting the exercises for a particular chapter (2 Marks)</p>
<b>Assignment Supplier Challenge Project</b>	40%	<b>Presentations</b>  <b>Due in week 10</b>  <b>Report</b> <b>Due in week 11</b>	<p>All groups are required to visit the January trade shows and interview at least 30 suppliers (factories in China).</p> <p><b>a) Interviews at trade show</b></p> <p>Stage one: Simple interviews of 30+ suppliers – manufacturers (not brokers or traders) (3 pairs in each group - complete at least 10 interviews per pair.</p> <p>b) What is your #1 Challenge?  c) How are you responding to it?  Please get a specific example of their response so we understand what they mean.</p> <p>d) Other supplier details – major market, major customer country, size, age, product description  e) Collect business card, booth #, Name of company, name of interviewee and email address</p> <p>Stage two: In-depth interview with three suppliers (3 per group of six)</p> <ul style="list-style-type: none"> <li>a) Business model</li> <li>b) Profitability versus growth priorities</li> <li>c) Strategies and tactics</li> <li>d) Target customer</li> </ul> <p><b>a) Infographic database (5 marks for completion)</b></p> <p><b>b) Presentation (15 marks) &amp; Report (20 marks) (2000 words)</b></p> <p>All groups will present their report to the class. I will provide feedback to the presenters on how they can improve their report so you can make further changes to the report before final submission. The presentation shall be <b>15</b></p>

			<b>minutes</b> The presentation will be graded at the time of presentation according to: c) Presentation Style (40%) d) Extensiveness of the information obtained / Focus of the Analysis (40%), e) Overall impact for the reader (20%). f) Full details of interviewees and firm contact details are required to gain awarded marks.
<b>Final Exam (E)</b> <b>June</b> <b>7.00pm:</b>	<b>50%</b>	<b>End of semester</b>	The final examination will be held in the normal exam period. It is semi-open book, comprehensive and covers all the chapters on the course syllabus. You may bring in 4 pages of A4 paper. There is NO MAKEUP test! The objective of the final exam is to further enhance your understanding of the basic concepts and theories and develop your ability to apply the knowledge in business situations.

**Groups and Assignment Submission:**

1. Students should organize among themselves to form groups for the group project and presentation (plan for group of 6).
2. Each group should submit a hard copy of its presentation PowerPoint file along with any attachment by 8 pm on the evening of the day prior to the week 10 presentation.
3. The report shall be submitted by week 11 to give you time to make changes based on feedback in the presentation.
4. On the front page of the PowerPoint, names and student ID numbers of the group should be listed by the order of presentation sequence.
5. File Name – ASSIGN1\_GROUP\_1 ~ 12
6. All submissions shall be made to Google Doc Shared folder nominated by me.

**Presentation Style Assessment Form (15 Marks)**

The assessment criteria include the following:

- Content (did the presentation comprehensively cover the project requirement? were the arguments presented logically and with intelligent reasoning? did the presentation show evidence of independent research and creative thinking? how effective were the visual aids?)
- Delivery (did the presenters speak clearly with appropriate pronunciation & grammar? did the presenters convey a strong interest in the subject matter with enthusiastic and confident delivery? did the presenters speak without constantly referring to notes? did the presenters effectively respond to student queries during the Q&A session?)
- Task management (did the presentation finish on time? were the presenters able to simulate audience interaction?).

The above criteria will be assessed by the instructor using the following rubric:

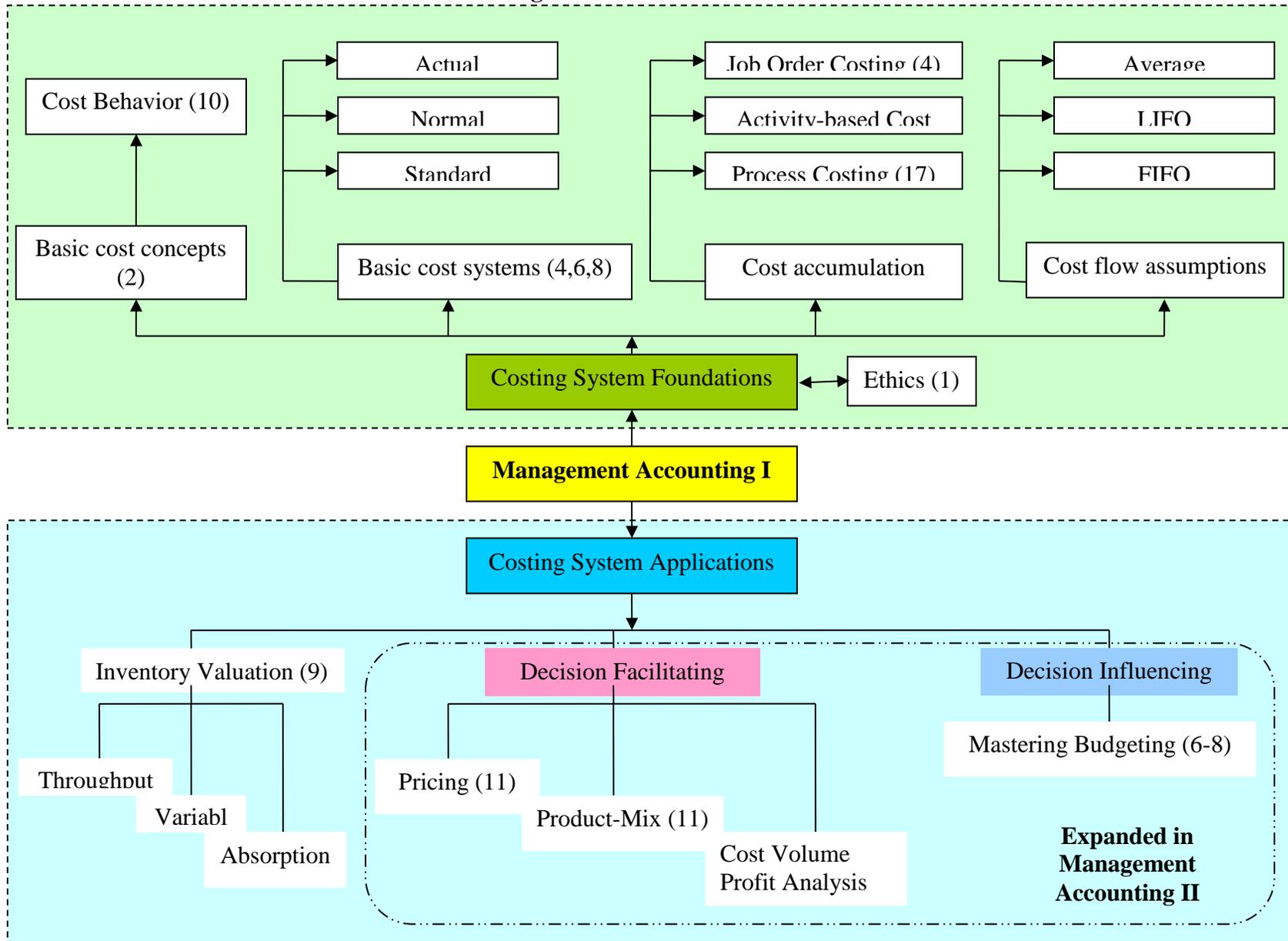
	Below average			Good			Excellent
1. Did the presentation engage the audience with a clear hook / theme / big question of the report?	3	4	5	6	7	8	10
2. Were the arguments presented logically and with intelligent reasoning?	3	4	5	6	7	8	10
3. Did the presentation show evidence of independent research and creative thinking?	3	4	5	6	7	8	10
4. How effective were the visual aids?	3	4	5	6	7	8	10
5. Did the presenters speak clearly with appropriate pronunciation & grammar?	3	4	5	6	7	8	10
6. Did the presenters convey a strong	3	4	5	6	7	8	10

interest in the subject matter with enthusiastic and confident delivery?							
7. Did presenters speak as a group or as individuals? Did all members present?	3	4	5	6	7	8	10
8. Did the presentation finish on time?	1 (19 min)	3 (18.5 min)	5 (18 min)	6 (17.5 min)	7 (17 min)	8 (16.5 min)	10 (16 min)

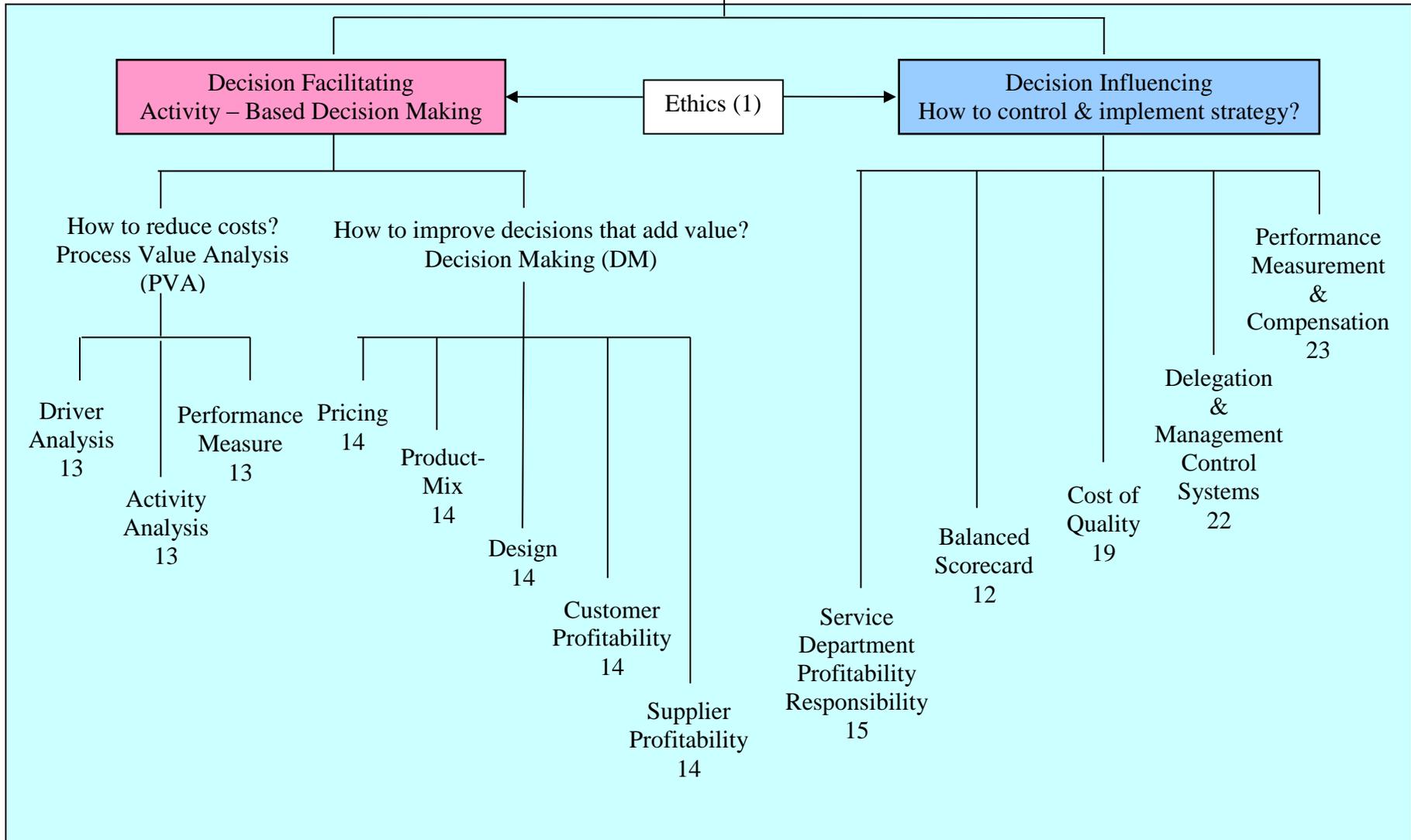
**Strategic Management Accounting Report Evaluation Form (20 Marks)**

Rating Criteria:	Below average	Average		Good		Very Good	Excellent
<b>Presentation Style (40%)</b>							
1. Consistent labeling and use of Tables, figures, diagrams	3	4	5	6	7	8	10
2. Appropriate referencing	3	4	5	6	7	8	10
3. How effective were the visual aids?	3	4	5	6	7	8	10
<b>Extensiveness of information obtained / Analysis (40%)</b>							
4. Did the report comprehensively cover the assigned questions?	3	4	5	6	7	8	10
5. Were the arguments presented logically and with intelligent reasoning?	3	4	5	6	7	8	10
6. Did the presentation show evidence of independent research and creative thinking?	3	4	5	6	7	8	10
<b>Impact for the reader (20%)</b>							
7. Did the report engage the reader?	3	4	5	6	7	8	10
8. Do I feel that I learnt something big in reading the report - key takeaways etc.	3	4	5	6	7	8	10
Total (out of 80)/4 = 20 Marks							

**Figure 1. Course Structure**



# Management Accounting II



## IX. COURSE SCHEDULE

ACCT7220 Strategic Management Accounting and Controls  
Dr Neale G O'Connor FCPA

WEEK # (Meeting Date)	CHAPTER	LECTURING TOPICS	SMALL GROUP PRESENTATION	HOMEWORK ASSIGNMENT Problem/Exercises 15 <sup>th</sup> (14 <sup>th</sup> ) Edition
<b>PROCESS</b> – <b>WHAT DRIVES COSTS?</b>				
1 (31 Mar)	HGN – 5	Introduction Activity-based Management  (40 + 40 Minutes)	Rules of engagement Assessment Select groups	<b>HGN</b> E5-25(E5-23): ABC, product line profitability E5-27(E5-25): Cost driver rates, cross-subsidization P5-36(P5-40): ABC, ABM P5-38( P5-38): ABC, unit-cost comparisons
2 (7 Apr)	HGN – 13(12)	Process value analysis HGN - 12 (p. 462 – 467) LO4  <b>How to Present?</b>  (40 + 40 Minutes)		E13-16(E12-19): value-added, non-value-added costs E13-17(E12-20): target operating income, value-added costs E13-18(E12-21): target prices, target costs, ABC P13-27(P12-29): target prices, target costs, value engineering, locked in costs, ABC
3 (14 Apr)	HGN -14	Customer Profitability Analysis - Supplier profitability - Customer profitability - Product design choice - Product pricing choice - Sales variance analysis (40 + 40 Minutes)	<b>GROUP 8 (P)</b> <b>Present one of the higher end questions to present to class</b> (20 minutes)	<b>HGN</b> E14-17, E14-18(E14-20, E14-30): customer profitability E14-36(E14-32): variance analysis, sales-mix, and sales-quantity variances E14-37(E14-33): market-share and market-size variances E14-16: cost allocation in hospitals E14-18: cost allocation to divisions
4 (21 Apr)	HGN-15	Cost allocation  Allocation of support dept costs, common costs, and revenues (40 + 40 Minutes)	<b>GROUP 7 (P)</b> <b>Present one of the higher end questions to present to class</b> (20 minutes)	<b>HGN</b>  E15-17: single-rate method, budgeted versus actual costs and quantities E15-19: support-department cost allocation; direct and step-down methods E15-23: Allocation of common costs E15-29: Fixed-cost allocation

**CUSTOMER**  
**- WHAT IS OUR VALUE PROPOSITION?**

5 (28 Apr)	HGN -12	Introduction to Strategic Cost Management (40 + 40 Minutes)	<b>Strategic Map Exercise</b>	
6 (5 May)	HGN -12	Introduction to Strategic Cost Management (40 + 40 Minutes)	<b>GROUP 6 (P)</b> Present one of the higher end questions to present to class (20 minutes)	<b>HGN</b> P1-28( <b>P1-25</b> ): strategic decisions and management accounting QQ12-1( <b>Q13-1</b> ): define strategy Q12-8( <b>Q13-6</b> ): key perspectives in BSC Q12-12( <b>Q13-12</b> ): difference between engineered cost and discretionary cost E12-16( <b>E13-16</b> ): BSC E12-17( <b>E13-17</b> ): analysis of growth, price-recovery, and productivity components E12-22, E12-26( <b>E13-22, E13-26</b> ): strategy, BSC E12-27( <b>E13-27</b> ): strategic analysis of operating income
7 (19 May)	HGN-19	Cost of Quality (40 + 40 Minutes)	<b>GROUP 5 (P)</b> Present one of the higher end questions to present to class (20 minutes)	<b>HGN</b> E19-17( <b>E19-17</b> ): costs of quality analysis P19-28( <b>P19-37</b> ): quality improvement, Pareto diagram, cause-and-effect diagram
8 (26 May)	HGN-19	Quality Time, and Theory of Constraints (40 + 40 Minutes)	<b>GROUP 4 (P)</b> Present one of the higher end questions to present to class (20 minutes)	<b>HGN</b> E19-23( <b>E19-22</b> ): waiting time, service industry E19-29( <b>E19-25</b> ): theory of constraints, throughput contribution, relevant costs P19-31( <b>P19-31</b> ): waiting times, manufacturing lead times

**EMPLOYEES**  
**HOW TO MOTIVATE AND ALIGN THE INTERESTS OF EMPLOYEES?**

9 (2 Jun )	HGN - 22	Management Control Systems, Decentralization, Multinational Considerations, Transfer Pricing	<p style="text-align: center;"><b>GROUP 3 &amp; 2 (P)</b> <b>Present one of the higher end questions to present to class (20 minutes)</b></p>	<p><b>HGN</b> <i>For Presentation in Week 11 – Choose any two of these from ED15</i></p> <p>E22-16: Evaluating management control systems, balanced scorecard E22-18(E22-18): decentralization, goal congruence, responsibility centers E22-19(E22-22): transfer pricing, general guideline, goal congruence E22-25(E22-25): transfer pricing dispute E22-21, P22-29(P22-30): effects of alternative transfer-pricing methods on division operating income P22-30(P22-31): goal-congruence problems with cost-plus transfer-pricing methods, dual-pricing system</p>
10 (7 or 8 Jun)			<p style="text-align: center;"><b>Project presentation</b></p>	
11 (16 Jun)	HGN-23	Performance Measurement, Compensation and Multinational Considerations <b>(50 Minutes)</b>	<p style="text-align: center;"><b>GROUP 1 (P)</b> <b>Present one of the higher end questions to present to class (20 minutes)</b></p> <p style="text-align: center;"><b>Review Exam Recap (40 Minutes)</b></p>	<p><b>HGN</b> E23-22( E23-22): ROI, RI, EVA P23-29(P23-29): evaluating managers, ROI, DuPont method, value-chain analysis of cost structure P23-31(P 23-32): ROI, RI, DuPont method, investment decisions, BSC P23-33(P23-34): executive compensation, BSC P23-36(P23-35): ethics, manager’s performance evaluation</p>
12 (23 Jun)			<p style="text-align: center;"><b>Comprehensive Final Examination (3 hours)</b></p>	