Career relevance
Most firms and organizations in modern global competitive environments engage in new product introduction, productivity enhancement and cost control initiatives. Cost management plays a key-supporting role in the creation of more value to the consumer of a firm's products and services, thus enhancing its competitiveness. Accuracy in costing of products, service and strategic activities is important in many decisions involving new product or technology introduction as well as existing operations. This course is valuable for students who plan to run their own businesses either as startups or established, or careers is consulting, financial services, marketing and operations planning. This course complements knowledge acquired in courses addressing operational management, marketing and strategy. The key issue is that any organization can benefit from cost management systems that provide accurate information and that facilitate integration of initiatives such as total quality, new product and service design, cost reduction and business process improvement that enhances their competitiveness and profitability. It is important to look at the financial analysis as well as strategic issues in decision-making.

Pedagogical Objectives and Content of the Course
One of the major objectives is to learn to design and to use measurement and incentive systems for improving operational efficiency and strategy implementation. Topics will include design and implementation of cost measurement systems for production and strategy choice, management control, enhancement of quality, timeliness and the measurement of customer, product and market regional profitability and the use of cost information during design and production stages. You will learn to cost products, services and strategies in manufacturing, financial and service industries with relevant information. Activities that do not contribute value to the firm and those that increase efficiency of operations are discerned, facilitating intelligent strategic budgeting processes. Efficient cost reduction approaches, monitoring of performance, quality enhancement projects and strategies to increase profitability of the firm are essential for start up ventures. The students learn to measure outcomes through performance measures such as deviations from standard norms, return on investment, economic value added and balanced score card techniques. The incentive implication of devising pricing approaches to products and services transferred internally is a component. These are considered through class lectures, discussions and problem sessions.
Course Material
Selected readings.

Evaluation
There will be a midterm exam and a final. The exams will be closed book and notes. But you can bring a 5 page handwritten notes to the tests. No Xerox copies or printed material will be allowed. The final exam is cumulative. The midterm is worth 50 points and the final 50 points.

The solutions manual for the problems in the text is available on the blackboard. You should work out the assigned problems and then check your answers with the solutions manual. They will neither be collected nor graded. You are encouraged to participate on the blackboard by raising questions, answering other students’ questions and writing class summaries or writing interesting extensions.
Course Schedule

Session 1

Overview and introduction.
Product definition for manufacturing, service, retail and financial industries; revenue generating and non-revenue generating products.
Need for accurate determination of product costs; need to allocate all costs to products.
Target analysis: cost-quality considerations in the modern world.
Cost concepts: directly traceable, indirectly traceable and non traceable activity costs.
Cost drivers and activities.
Reading Assignment: Chapter 2; 2-2, 10, 13, 18, 19.

Session 2

Activity based costing systems
Activity levels classification
Accumulating activity costs
Determining cost driver rates
Simplifying using cost pools
Determining product costs
Approximations to ABC systems- activity levels
Primary and secondary activities-introductory concept
Overhead activity cost applications

Reading Assignment: Chapter 4: 4-11, 19, 20, 22.

Session 3

An approximate approach to calculation of inventorable product cost.
Effects of costing systems on competition
Reading Assignment: Robin Cooper, "The Rise of Activity Based Costing - Part One: What is an Activity Based Cost System?"

Reading Assignment: Chapter 4: 4-16
Session 4
Secondary activities- importance for product costing accuracy
Cost allocation issues- dual rates
Reciprocal method, direct method
Data issues
ABC- assessment, generalizability, limitations

Reading Assignment: Chapter 7; 7-7, 8, 14, 27.

Session 5
Budget setting
Standards used for static budgets
Activity Based Budgeting

Variance analysis calculations
Limitations of variance analysis for control and evaluation
Signal value and interdependencies

Reading Assignment: Chapter 8, : 8-4, 6, 11.

Reading Assignment: Chapter 9: 9-11, 16.

Session 6
TEST I
Life Cycle Management
Non value added activities, costs
Standards, ideal activity levels, costs
Activity efficiency analysis – relationship to variance analysis
Limitations of variance analysis for control and evaluation
Signal value and interdependencies
Continuous improvement

Reading Assignment: Chapter 10: 10- 5, 6, 7, 8, 10, 17.

Session 7
Information and strategies for start up ventures.

Resource usage and cost behavior
Unused capacity cost management.
Session 8

Quality concepts
Quality cost trade off
Quality efficiency curve
Quality Strategies and Program Implementation
Quality Improvement Program Reporting
Reading Assignment:
K. R. Balachandran and Bin Srinidhi, "Strategic Positioning and Cost Management along Various Quality Dimensions".

Reading Assignment: Chapter 11; pages 438-454, 11-5, 6, 17, 18, 20.

Session 9

Investment centers
Performance measurements
Return on investment
Residual income
Transfer pricing concepts

Reading Assignment: Chapter 13; 13- 5, 14, 15, 22, 23, 24, 26.

Session 10

Transfer pricing conflicts and resolution
Illustration of approaches

Session 11

TEST 2