



DIVISION OF ECONOMIC AND FINANCIAL STUDIES

GRADUATE ACCOUNTING AND COMMERCE CENTRE

ACCG828: MANAGEMENT CONTROL SYSTEMS

Dr Kevin Baird

UNIT OUTLINE

Semester 2, 2008

ABOUT THIS UNIT

Assumed knowledge:

Students enrolling in this unit are assumed to have successfully completed the equivalent of at least one undergraduate unit in management accounting.

Unit description:

This unit is concerned with the design and operation of management control systems and the controls which are included in the management control systems of most organizations. Management control systems are one of the main mechanisms by which managers implement an organization's strategy to achieve its goals. Hence, the unit focuses on the link between strategy and controls. The unit also considers the implications of other contextual influences including environment, technology, management style, and culture on control system design.

The unit is divided into two parts. The first part covers the management control environment, which primarily deals with the design of the organizational infrastructure of management control systems (such as responsibility centres), and details in relation to specific accounting related controls. The second part of the course draws on research based readings to illustrate that the design of management control systems is contingent upon many contextual factors.

TEACHING STAFF

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Consultation by appointment.

CLASSES

Classes will be held on Thursdays from 1.05 – 3.55pm in W6B320 on the dates shown in the class schedule.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed text:

Anthony, R.N. & Govindarajan, V. (2007) *Management Control Systems* (McGraw-Hill Irwin, 12th edition).

Additional materials:

Additional readings and other materials, including powerpoint slides for each chapter of the text, will be placed on the unit webpage and/or distributed in class.

UNIT WEB PAGE

A unit web page will be maintained on the university's online teaching facility (<http://learn.mq.edu.au>)

This will be the main means of communicating with students outside class times so please check it regularly, especially if you miss a class

LEARNING OUTCOMES

The principal objective and learning outcome of this unit are that students be able to apply the main principles, frameworks, and models relating to the design, implementation, and operation of management control systems in organizations to case studies of realistic organizational situations and be able to present and explain their analysis and recommendations in writing and orally.

In addition, Macquarie University seeks to provide an environment where students may develop and build on their generic skills including:

- foundation skills of literacy, numeracy and information technology
- their self-awareness and interpersonal skills, such as the capacity for self-management, collaboration and leadership
- communication skills for effective presentation and cultural understanding
- critical analysis skills to evaluate, synthesise and judge
- problem-solving skills to apply and adapt knowledge to the real world
- creative thinking skills to imagine, invent and discover.

In this unit, the interactive class meetings, use of frameworks and models, extensive use of case studies, and group work should be useful in this regard.

TEACHING AND LEARNING STRATEGY

During the class meetings the material contained in the textbook chapters and set readings will be reviewed and discussed and/or case studies of realistic organizational situations will be analysed and discussed. You should prepare answers to all questions for all cases listed in the class schedule as the weekly assignments will be randomly collected and marked as part of the assessment requirements.

The class meeting will be as interactive as possible and students are expected to participate constructively during class. It is in your interest to prepare properly for class meetings and participate constructively because the final examination requirements will be based on the material covered in class. Also, marks are awarded for class participation.

Class Schedule

Date	Topic	Required textbook reading*
Week 1 – 7 th August	Introduction to the unit Strategy	Chapter 2
Week 2 – 14 th August	The nature of management control Strategic planning	Chapter 1 Chapter 8
Week 3 – 21 st August	Controls for differentiated strategies	Chapter 13 pp.576-589
Week 4 – 28 th August	The role of accounting and non-accounting controls Behaviour in organizations	Chapter 9 pp. 387-393 M & V pp.23-33 & 67-77
Week 5 – 4 th September	Responsibility centres	Chapter 4 Chapter 5
Week 6 – 11 th September	Performance measurement	Chapter 11
Week 7 – 18 th September	MCSs for different organizational settings	Chapter 14 Chapter 15
Week 8 – 9 th October	The effect of different management styles and culture on MCS design	Chapter 13 pp.589-591 M & V pp.592-596
Week 9 – 16 th October	The effect of the external environment and technology on MCS design	
Week 10 – 23 rd October	The effect of life cycle stages on MCS design	
Week 11 – 30 th October	Management control-related ethical issues and analyses	M & V pp. 553-570
Week 12 – 6 th November	Revision	
Week 13 – 13 th November	Final Examination	

* NB Additional readings will be distributed in class.

M & V – Merchant, K.A., & Van der Stede, W. A. (2003). Management Control Systems: Performance Measurement, Evaluation and Incentives, Prentice Hall, London. These chapters will also be distributed in class.

ASSESSMENT

The assessment relates to the students' ability to apply the main principles, frameworks, and models relating to the design, implementation, and operation of management control systems in organizations to case studies of realistic organizational situations and to be able to interpret the findings of relevant research based readings. Students are also expected to be able to present and explain their analysis and recommendations in writing and orally.

Note that the requirements in respect to the readings set are twofold. Firstly, each student is required to contribute to a group presentation based on one of the readings set. The requirements in relation to the presentation are specified below and require an extensive analysis of the assigned reading. Secondly, students must read the other readings each week with the objective being to concentrate on the ramifications of the studies results in regard to the design of management control systems.

Case assignments (20%)

Students are required to complete weekly assignments (as outlined on pages 7-8). Five of these weekly assignments will be collected at random and awarded a mark out of 5. The best 4 of these five assignments collected will count towards the 20% assessment mark. Please note that for some of the cases the questions to be answered will be different to those in the textbook.

Assignments must be submitted in class on the due date. If you can not attend class it is expected that you email your assignment prior to the commencement of class (kbaird@efs.mq.edu.au), otherwise you will be deemed not to have completed the assignment. Late assignments will not be accepted. Assignments must be neatly typed (word-processed) using one-and-a-half spacing with spaces between paragraphs and 2.5 cm margins.

Presentation (15%)

Each student will be required to contribute to a group presentation based on one of the readings. Group presentations are required because they bring more brainpower and different perspectives in analysing the respective readings. They also develop students' abilities to collaborate and negotiate with others in order to achieve objectives. Students will be assigned to groups and readings in Week 1.

Each group is required to make a presentation to the class summarising, discussing, and commenting on the assigned reading. The presentation should be 15 to 20 minutes, and should use powerpoint or overhead transparency slides. Each member of the group is expected to participate in the actual presentation (ie not just pressing buttons to move from one slide to the next).

The presentation should cover most of the following:

- (i) the issue or problem addressed in the paper
 - what did the researchers study?

- (ii) The motivation for the paper
 - Why did the researcher/s study this issue/ problem?
 - Why is the issue examined important?
- (iii) The variables examined in the study
- (iv) The theory used by the researchers
 - How did the researcher/s relate the variables to each other?
 - Were any hypotheses developed and tested?
- (v) What research method did the researcher use?
 - Can you identify any problems with this method?
- (vi) What were the results?
 - What did the researcher find?
 - Were his/her hypotheses supported?
- (vii) What did the researcher/s conclude from the results?
- (viii) What are the ramifications of the studies results in regard to the design of management control systems?

Class participation (15%)

Students will be able to earn class participation marks during the semester based on demonstrating that they have a very good understanding of the weekly assignment material and their overall involvement in class discussions.

EXAMINATION (50%)

The examination will be worth 50% of the total assessment marks. The examination will be held during the normal class time on Thursday 13th November (2½ hours commencing at 1.10pm). The examination is compulsory. Students must pass the examination in order to obtain a Pass grade or better in the unit. Calculators are permitted in the examination. More details regarding the examination will be provided nearer the time.

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at www.reg.mq.edu.au/Forms/APSCon.pdf

You are advised that it is Macquarie University policy not to set early or delayed examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official University examination period, and can attend the exam at the designated time and place.

WEEKLY ASSIGNMENTS

These questions must be completed before class. Five of the assignments will be collected randomly and marked out of 5 with the best 4 marks contributing to 20% of the total assessment mark.

Week 2 Seminar - 14th August

Case 1-2 Wal-Mart Stores, Inc.

1. What is Wal-Mart's corporate level strategy? Discuss.
2. Use both the BCG model and the General Electric Planning Model to determine the mission of a typical business unit of Wal-Mart.
3. Use Porter's Five Forces model to analyse the competitive forces associated with the retail industry (you can refer to the local industry you are familiar with).
4. What is the basis upon which Wal-Mart builds its competitive advantage? How does this differ from retailers such as K-Mart, Big W, Myer, David Jones? Describe specific feature of Wal-Mart's operations that allow it to achieve competitive advantage.
5. How do Wal-Mart's control systems help execute the firm's strategy?

Week 3 Seminar – 21st August

Case 8-1 Allied Office Products

Questions 1-5 on page 354 Anthony and Govindarajan

Week 4 Seminar – 28th August

No assignment due this week – Guest speaker

Week 5 Seminar – 4th September

Answer the following questions using Abernethy and Brownell (1997):

1. Describe Perrow's model of structure and technology.
2. Discuss the differences between accounting, behaviour, and personnel controls.
3. Critically evaluate the measures used in the study. Are they appropriate? Why?
4. Discuss the significance of behaviour controls in enhancing performance under the different scenarios. Why do you think such results were found?
5. What are the implications of the findings for the design of MCSs?

Week 6 Seminar – 11th September

Case 4-1 Vershire Company

1. Prepare an industry analysis using Porter's 5 Forces model. What are the key determinants of Vershire's aluminium can profitability? Explain.

2. Which of Porter's generic strategies is Vershire following?
3. Prepare a timeline (May to December) diagram tracing the activities in the **budget process** at Vershire. The diagram should also show organizational levels (Corporate HQ, Divisional HQ, Plant/Sales Districts)
4. Should the Vershire plant managers be held responsible for profits? Why? Why not?
5. Outline the strengths and weaknesses of Vershire Company's planning and control system. On balance, would you redesign the management control structure at Vershire Company? If so, how and why?

Week 7 Seminar – 18th September

Case 11-3 CUP Corporation

1. What was CUP's motivation for creating the Customer Call Centre (CCC)?
What are the main activities to be carried out by the CCC?
Why was the CCC made a profit centre?
2. What is expected from the CCC? (ie what are their key performance metrics/key success factors [KSFs]?)
3. Develop a balanced measurement system (BSC) for the CCC. This should show how the measures link to the KSFs and also the recommended frequency for reporting the measures.

Week 8 Seminar – 9th October

Case 15-1 AB Thorsten

Questions 1-8 on page 704 of Anthony and Govindarajan

Week 9 Seminar – 16th October

Case 12-1 Lincoln electric company (A)

Questions 1-6 on page 553 of Anthony and Govindarajan

Week 10 Seminar – 23rd October

To be advised

Week 11 Seminar – 30th October

To be advised

Week 12 Seminar – 6th November

Critically evaluate the actions taken in the 'Two budget targets', 'Conservative accounting in the General Products Division' and 'Education Food Services at Central Maine State University' cases. Is the action taken ethical? Why?

PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Postgraduate Studies* or on the web at: www.student.mq.edu.au/plagiarism

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

UNIVERSITY POLICY ON GRADING

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

HD High Distinction 85-100%

Denotes performance which meets all unit objectives in such an exceptional way and with such marked excellence that it deserves the highest level of recognition.

D Distinction 75-84%

Denotes performance which clearly deserves a very high level of recognition as an excellent achievement in the unit.

Cr Credit 65-74%

Denotes performance which is substantially better than would normally be expected of competent students in the unit.

P Pass 50-64%

Denotes performance which satisfies unit objectives.

PC Pass Conceded 45-49%

Denotes performance which meets unit objectives only marginally

F Fail 0-44%

Denotes that a candidate has failed to complete a unit satisfactorily.

FA Fail Absent 0-44%

Denotes that a candidate has failed to complete a unit satisfactorily and was absent from a compulsory final examination

W Withdrawn

No grade as student withdrew with permission prior to final examination

I Incomplete

Grade yet to be determined as all assessment tasks have not yet been completed

IS Incomplete Supplementary

Supplementary examination approved and yet to be completed

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can accessed at www.student.mq.edu.au