

**Department of Accounting and Finance**

**ACCG828 MANAGEMENT CONTROL SYSTEMS**

**Unit outline  
Semester 1, 2010**

**Unit Convenor  
Professor James (Chong Man) Lau**

**ABOUT THIS UNIT**

**Recommended prerequisite**

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 deals with the design and operation of management control systems and the controls which are included in the management control systems of most organisations. Management control systems are a key component of management accounting systems. Management control is the process by which managers influence other members of the organisation to implement the organisation's strategies to achieve organisational objectives. It involves planning, coordinating activities, communicating information, evaluating information, deciding what actions should be taken and influencing people to change their behaviour.

The unit covers the design of management control systems and draws on research based readings to illustrate that the design of management control systems is contingent upon many contextual variables and organisational design. It focuses on the link between controls and strategy as well as the influence of contingent variables (e.g., environment, technology, managerial style) and organisational design (e.g., shape, centralisation, and interdependencies) on management control system design.

## TEACHING STAFF

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Consultation: By appointment

## CLASSES

Classes will be held on

**Wednesday**  
**6.05 – 8.55 pm**  
**W6B325**

## RECOMMENDED TEXTS AND/OR MATERIALS

### **Recommended text (optional)**

Anthony, R.N. and Govindarajan, V. (2007) Management Control Systems. McGraw-Hill Irwin, 12<sup>th</sup> edition.

### **Reading materials**

Journal articles

## UNIT WEB PAGE

A unit web page will be maintained on the university's online teaching facility (<https://learn.mq.edu.au>). This will be the main means of communicating with students outside class times.

## **LEARNING OUTCOMES**

The objective and learning outcome of this unit are that students be able to learn and apply the main principles, frameworks, and models relating to the design, implementation, and operation of management control systems in organisations and be able to present and explain their analysis and recommendations in writing and orally. They should also be able to read academic management accounting journal articles, identify the important literature and the major trends in management control system design and critically evaluate empirical research in management control systems.

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, group work and class presentations should be useful in this regard.

## **TEACHING AND LEARNING STRATEGY**

During the class meetings the set reading materials will be reviewed and discussed. You should prepare answers to all questions for the readings listed in the class schedule as weekly assignments will be collected randomly and marked as part of the assessment requirements.

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

## ASSESSMENT

Item	Component description	
(a)	Weekly class participation	20%
(b)	Group presentation	20%
(c)	Weekly assignments ( 4 out of 5 marked)	20%
(d)	Final examination	40%
	Total	100%

### *Class participation (20 marks)*

Students are required to contribute actively to the weekly class discussions on the readings and assignments assigned. The lecturer will assess your class participation as follows:

Scale	Nature of contribution
<b>9 - 10</b>	<b>Outstanding contributor</b> Your comments reveal <u>exceptional preparation</u> and the contribution provides a substantive foundation for furthering fruitful discussions.
<b>7 - 8</b>	<b>Good contributor</b> Your comments reveal <u>thorough preparation</u> and your contribution provides some useful insight into the topic and leads the discussions.
<b>3 - 6</b>	<b>Contributor</b> Your comments reveal <u>some preparation</u> . However, your contribution is erratic with your comments at times aiding discussions, and at times illogical and/or unsubstantiated.
<b>0 - 2</b>	<b>Non-contributor</b> As you <u>rarely contribute</u> to discussions, it is impossible to assess your level of preparation and the likely contribution you might have made to those discussions.
<b>0</b>	<b>Poor contributor</b> Your comments reveal <u>a lack of preparation</u> and negatively impact upon discussions. Your contributions fail to provide a constructive lead to discussions and invariably serve to disrupt the flow of discussion.

### *Absence from class*

Class participation marks will be *adversely* and *significantly* affected by the failure to attend classes.

### ***Group work and presentation (20 marks)***

Each student will be required to contribute to a group presentation based on one of the readings. Group presentations are required because they bring 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 2.

Each group is required to make a presentation to the class summarising and discussing the assigned reading. The presentation should be 20 minutes. Each member of the group is expected to participate in the actual presentation (i.e., not just pressing buttons to move from one slide to the next). Powerpoint or overhead transparency slides should be used. *Only a soft copy of the slides needs to be submitted to the lecturer.* The presentation should cover most of the following:

What were the main issues and problems addressed in the paper?

What did the researchers study?

What did the researchers attempt to prove?

What was the motivation for the paper?

Why was the study undertaken?

Why was this research needed?

What was the model(s) used?

What variables were studied?

How are they related?

What was the theoretical justification?

How did the researcher justify the model/propositions/hypotheses?

Why were the variables related in the manner proposed by the researchers?

What were the chosen research and statistical methods?

Which methods were used to collect the data?

How were the data analysed?

Do you agree with the methods chosen and how they were used?

What were the results?

What did the researcher find?

Were the hypotheses supported?

Were there any surprising findings?

What were the conclusions and ramifications?

What conclusions and implications can be drawn from the results?

How useful was this study?

How did this study contribute to the study of management control systems?

Do you understand the article?

Are you able to sum up the study in two or three sentences?

What was the study about?

### ***Weekly assignments collected for marking (20%)***

Students are required to complete weekly assignments. **Five** of the weekly assignments will be collected at random and awarded a mark out of **5**. The best **four** of these five assignments collected will count towards the 20% assessment mark.

Assignments must be submitted in class on the due dates. The due date for each assignment is at the **commencement** of class for the day the assignment is assigned. If you cannot attend class, you should email your assignment prior to the commencement of class ([james.lau@efs.mq.edu.au](mailto:james.lau@efs.mq.edu.au)), otherwise you will be deemed not to have completed your assignment. **Late assignment will not be accepted.** Assignment must be neatly typed (word-processed) using one-and-a half- spacing with spaces between paragraphs and 2.5 cm margins.

### ***Final examination (40 marks)***

A final written examination will be held at the end of the semester. It will be held during normal class time on **Wednesday 2 June 2010** at **W6B325**. The duration of the examination will be **2.5** hours commencing at **6.05 pm**. The examination is compulsory. Student must pass the examination in order to obtain a Pass grade or better in the unit. Further details about the format of the final examination will be provided in due course.

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](http://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 examination at the designated time and venue.

## **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](http://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 guideline on the distribution of grade 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 the unit objectives in such an exceptional way and with such marked excellence that it deserves the highest level of recognition.*

**D** Distinction 75-84%

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

**Cr** Credit 65-74%

*Denote performance which 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 the 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 be accessed at [www.student.mq.edu.au](http://www.student.mq.edu.au)

**UNIT PLAN**

<b>Week</b>	<b>Date</b>	<b>Topics</b>
1	24 Feb	Introduction Management Accounting functions Management control systems Management Accounting research
2	3 Mar	Evolution of Management Accounting Evolution of cost accounting Evolution of management control systems Post-1930s developments
3	10 Mar	Post 1980s developments Contemporary practices Activity based costing Multidimensional performance measurement systems EOQ vs JIT, COQ vs TQM
4	17 Mar	Management controls Accounting, behaviour and personal controls Interactive and diagnostic controls
5	24 Mar	Agency Theory Contingency Theory in Management Accounting
6	31 Mar	Evaluative styles Leadership styles Technology
	<b>7 April</b>	<b><i>Break</i></b>
	<b>14 April</b>	<b><i>Break</i></b>
7	21 April	Environment uncertainty Strategy
8	28 April	Multinational corporations National culture
9	5 May	Comprehensive performance measurement systems Linkage with organisational strategy
10	12 May	Formality, technicality, accuracy Nonfinancial measures and fairness issues
11	19 May	Extensions Product life cycle
12	6 May	Revision
13	2 June	<b><i>Final examination</i></b>



## JOURNAL ARTICLES

1.1	Brinn, T. Jones, M.J. and Pendlebury, (1996). "UK Accountants' Perceptions of Research Journal Quality". <i>Accounting and Business Research</i> , Vol. 26(3), pp.265-278.
1.2	Chan, K.C., Chen, C.R. and Cheng, LTW. (2005). "Ranking Research Productivity in Accounting for Asia-Pacific Universities". <i>Review of Quantitative Finance and Accounting</i> , Vol. 24, pp.47-64.
2.1	Kaplan, R.S. (1984). "The Evolution of Management Accounting," <i>The Accounting Review</i> , Vol. LVIII/4, pp.390-418.
2.2	Johnson, T.H. and R.S. Kaplan, (1986/1991). <i>Relevance Lost: The Rise and Fall of Management Accounting</i> , Harvard Business School Press. <b>Chapter 1.</b>
3.1	Cooper R. and Kaplan R.S. (1991). "Profit Priorities from Activity-Based Costing". <i>Harvard Business Review</i> , pp.130-135
3.2	Kaplan, R.S. and Norton, D.P. (March 2001). "Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: <b>Part I</b> ". <i>Accounting Horizons</i> , 15 (1) pp. 87-104.
3.3	Jones, D.J. 1991. "JIT and the EOQ model; Odd couple no more". <i>Management Accounting</i> , pp. 54-57.
4.1	Abernethy, M.A. and P. Brownell. (1997). "Management control systems in research and development organizations: The role of accounting, behavior and personnel controls". <i>Accounting, Organizations and Society</i> 3/4: 233 - 248.
4.2	Simon, R. (1991). "Strategic orientation and top management attention to control systems". <i>Strategic Management Journal</i> , 12: 49 – 62.
4.3	Henri, J. (2006). Management control systems and strategy: a resource-based perspective. <i>Accounting, Organizations and Society</i> 31: 529-558.
4.4	Bisbe, J. and D. Otley. (2004). "The effects of the interactive use of management control systems on product innovation". <i>Accounting, Organizations and Society</i> 29: 709-737.
5.1	Baimain, Agency theory: a second look.
5.2	Otley, D.T. (1980). "The contingency theory of management accounting: achievement and prognosis". <i>Accounting, Organizations and Society</i> 5(4): 413-428..
5.3	Waterhouse, J.H. and P. Tiessen. (1978). "A contingency framework for Management Accounting systems research". <i>Accounting, Organizations and Society</i> 3(1): 65-76.

6.1	Hopwood, A.G., (1972), "An empirical study of the role of accounting data in performance evaluation". <i>Journal of Accounting Research</i> , pp 156- 182.
6.2	Brownell, P. (1982). "The role of accounting data in performance evaluation, budgetary participation, and organizational effectiveness." <i>Journal of Accounting Research</i> , Vol. 20(1), pp.12-27.
6.3	Hirst, M.K. (1983). "Reliance on accounting performance measures, task uncertainty, and dysfunctional behavior: some extensions." <i>Journal of Accounting Research</i> , Vol. 21(2), pp.596-605.
6.4	Brownell, P. and Hirst, M., (1986), "Reliance on accounting information, budgetary participation and task uncertainty: Tests of a three way interaction." <i>Journal of Accounting Research</i> , Vol. 24/2, pp. 241-249.
6.5	Brownell, P. and Dunk A.S. (1991). "Task uncertainty and its interaction with budgetary participation and budget emphasis: Some methodology issues and empirical investigation." <i>Accounting, Organization and Society</i> , Vol.16(8), pp.693-703.
7.1	Govindarajan, V. and A.Gupta. (1985). "Linking control systems to business unit strategy: impact on performance." <i>Accounting, Organizations and Society</i> 10(1): 51-66.
7.2	Govindarajan V. (1984). "Appropriate of accounting data in performance evaluation: an empirical examination of environmental uncertainty as an intervening variable. <i>Accounting, Organizations and Society</i> 9(2): 125- - 135.
7.3	Gordon, L. A. and Narayanan, V. K. (1984). 'Management accounting systems, perceived environmental uncertainty and organization structure: An empirical investigation'. <i>Accounting, Organizations and Society</i> , pp. 33-47.
7.4	Chenhall, R. H. and Morris, D. (1986). 'The impact of structure, environment, and interdependence on the perceived usefulness of management accounting systems'. <i>The Accounting Review</i> , January, pp. 16-35.
8.1	Harrison, G. L. (1992). "The cross cultural generalizability of the relation between participation, budget emphasis and job related attitudes". <i>Accounting, Organization and Society</i> . Vol. 17. pp.1-15.
8.2	Lau, C. M., L.C. Low and R.C. Eggleton, (1995). "The impact of reliance on accounting measures on job related tension and managerial performance: Additional evidence." <i>Accounting, Organizations and Society</i> , Vol. 19 (2), pp. 359-381.
8.3	Lau, C.M. and C. Buckland, C.S. (2000). "Budget emphasis, participation, task difficulty and performance: The effect of diversity within culture." <i>Accounting and Business Research</i> . pp. 37-55.
9.1	Burney ,L.L. and S. Widener. 2007. Strategic performance measurement systems, job-relevant information and managerial behavioral responses – role stress and performance. <i>Behavioral Research in Accounting</i> 19: 43-69.

9.2	Hall, M. 2008. The effect of comprehensive performance measurement systems on role clarity, psychological empowerment and managerial performance. <i>Accounting, Organizations and Society</i> 33: 141-163.
10.1	Lau, C.M. and C. Buckland. (2001). "Budgeting - Role of trust and participation: research note". <i>Abacus</i> , Vol. 37(3), pp. 369-388.
10.2	Lau C.M. and M.Sholihin, (2005). "Financial and nonfinancial measures: How do they affect job satisfaction?" <i>The British Accounting Review</i> , Vol 37, pp. 389-413.
10.3	Hartmann, F., and S. Slapnicar. 2009. How formal performance evaluation affects trust between superior and subordinate managers. <i>Accounting, Organizations and Society</i> 34: 722-737.
11.1	Lau, C.M. and Moser, A. (2008). "Behavioral effects of nonfinancial performance measures: the role of procedural fairness". <i>Behavioral Research in Accounting</i> . Vol.20,(2): 55-72.
11.2	Burney, L.L., C.A. Henle, and S. Widener. 2009. "A path model examining the relations among strategic performance measurement system characteristics, organizational justice, and extra- and in-role performance". <i>Accounting, Organizations and Society</i> 34: 305-321.
11.3	Hoque Z. and W. James, (2000). "Linking balanced scorecard measures to size and market factors: Impact on organizational performance", <i>Journal of Management Accounting Research</i> , pp. 1-17.
11.4	Moore, K. and S. Yuen (2001). Management accounting systems and organisational configuration: a life-cycle perspective. <i>Accounting, Organizations and Society</i> 26: 351-389.
	<b>Additional readings will be provided during the semester</b>

End of 828 unit outline 300220h