Budgeting and Management Control : 90-737
Fall 2017  Tuesday, 6:00 – 8:50 p.m.

Course Information

Instructor: Kathy Smith
3013 Hamburg Hall
Phone: (412) 268-4408
Email: ks54@andrew.cmu.edu

Teaching Assistant: Garrett Ruffin: garrettruffin84@gmail.com

Office Hours: TBA

Office Hours:  Tuesday 4:30 – 5:30 or by appointment

Prerequisites: Financial Analysis 90-724, 90-723 or 91-804, or equivalent
Ability to prepare basic spreadsheets and report in Excel

Course Materials:
Text: Young, David. Management Control in Nonprofit Organizations, Tenth Edition
(The Crimson Press, 2016).

Case Packet: (distributed in class) - may cost you up to $51

Course Description:
This course provides an introduction to the design and use of systems that assist management in ensuring that organizations achieve their goals. It emphasizes budgets as a major component of management control systems for for-profit, governmental and non-profit organizations.

Key topics include:
- Understanding costs and cost behavior
- Product and service costing
- Budgets as planning devices and performance targets
- Variance analysis
- Systems to provide incentives for managers to meet organizational goals
Course Objectives:
At the end of this course, you should be able to
- Apply breakeven analysis in various real world situations
- Know how and why to allocate overhead and common costs to programs, products and services, and when this is and is not appropriate
- Prepare a formula-driven budget in Excel
- Prepare flexible budgets
- Compute volume, revenue, and expense variances
- Disaggregate revenue and cost variances into their component parts
- Use variances to help explain deficiencies and improvements in performance
- Identify the types of responsibility centers that should be set up in order to meet the strategic objectives and goals of an organization
- Prepare performance reports with the relevant information for evaluating the manager of a revenue, expense, or profit center in the organization
- Communicate your results in writing in a clear, coherent and logical style, accompanied by the appropriate financial reports

Course Organization

*Cases for discussion* will be assigned weekly. These cases, from for-profit and not-for-profit organizations are fundamental to your understanding of budgeting and management control and will be used to help develop your financial literacy skills.

In general, class will consist of warm-up problems and a mini-lecture of the key concepts that week, followed with a discussion of the specific case or cases assigned. My expectation is that you will have read the case in detail prior to class and will have started to think about how to analyze/answer the case.

In addition to material distributed in class, I will also post *practice problems*, with answers, as relevant. Check Canvas every Friday after 5:00 p.m. for any announcements, changes or other information that you will need for the next class.

I suggest that you budget at *least two hours a week* of uninterrupted time to prepare the discussion case or cases for each class. You should plan on additional time to prepare the written assignments and mini-assignments.

Performance Measures

**Case Analyses:** (45% of final grade)

Two written case analyses will be made during the term. Each of these constitutes a significant portion of your final grade, and you should plan to spend sufficient time completing them. They will be graded on the application of management principles and tools, completeness of answers, support for your recommendations, and form. You will not receive an “A” or an “A-“ grade unless your written assignments are of a high quality, similar to what I will present in class. No late assignments will be accepted unless either prior arrangements are made with me or an emergency occurs which prevents you from completing the assignment.
Class Participation: (15% of final grade)
Weekly contributions to class contribute a maximum of 35 points for the entire semester. Your participation in class contributes field specific knowledge and international perspectives to the problems and situations discussed. I strongly encourage you to share your experiences with the rest of the class. I use the following scale, adapted from the Maple Leaf Conference, to assign each student a participation score each week.

<table>
<thead>
<tr>
<th>Participation Points</th>
<th>Nature of Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>A supportable generalization or theoretical insight that is applicable to the case and likely in many other situations, or additional (perhaps field-specific) relevant contributions.</td>
</tr>
<tr>
<td>3</td>
<td>A key insight into the case being dealt with, supported by a well-developed argument.</td>
</tr>
<tr>
<td>2</td>
<td>A statement of facts, perhaps with some analysis of them but not carried through to a conclusion</td>
</tr>
<tr>
<td>1</td>
<td>Attendance and attentiveness in class, without verbal participation in the discussion.</td>
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<tr>
<td>0</td>
<td>No attendance, attendance for only a portion of the class, or lack of attentiveness to the discussion (i.e. working on laptop, using phone, iPad or similar device, etc.)</td>
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<tr>
<td>-1</td>
<td>Simply repeating what someone else has said or bringing up irrelevant points. **This score will only be given if a student is clearly unprepared and is wasting class time.</td>
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</tbody>
</table>

An average class participation score of 2.5 points per week provides 35 points for the semester.

Mini-Assignments and/or Quizzes: (15% of final grade)
Several mini-assignments and/or quizzes will be made during the course. Mini-assignments will consist of textbook-type problems (generally only one problem per week), designed to give you practice in doing the mechanical calculations of cost allocation, breakeven point, and computing variances. They will be due at the beginning of class at 6:00 p.m. Quizzes may also be given, if I feel that it will be useful. Quizzes will be given in the first 10 – 15 min. of class. I will drop the score on a mini-assignment or quiz score at the end of the semester.

Final Exam: (30% of final grade)
The final exam will be comprehensive. It will be a case analysis that is prepared out of class, plus (multiple choice or short-answer) questions, a financial report and an analysis (budget, variance analysis, etc.) which will be completed during the class period. It is designed to test how well you recognize and apply the concepts that you learned during the course. It will be given in class on December 5, and will be open book and open notes.
**Individual and Group Work:**
You may discuss the mini-assignments and case analyses with other students as you prepare them. However, the submitted assignment must be your work alone. If you work with other students, I realize that your analyses may essentially say the same thing. However, *the words that you submit must be your own, and written in the style that you use on exams and other items.* If anything is copied from (that is, you use the same words as) another student or any other source, it is considered to be cheating.

You are not permitted to be in possession of any assignments or portions of case analyses, electronic or paper, from another student either from the current semester or from past semesters. Furthermore, you not permitted to share your work with other students. Possession of or sharing such files constitutes an infraction of the academic integrity policies of this course. Sharing your assignments with any other student in any form (a paper document, an electronic file, photo image, or any other format) will be considered cheating.

If you submit plagiarized or copied work, *you will receive a grade of zero on the assignment or exam.* If it is a mini-assignment, you will not be able to drop the zero grade. For lesser offenses (e.g. copying on a mini-assignment), your final grade for the course will be dropped by one full letter grade, (e.g. from a B+ to a C+). For more serious offenses, you will fail the course. In addition, all cheating and plagiarism infractions will be reported in writing to the Associate Dean for the program, the Dean of Student Affairs, and the Dean. They will review and determine if expulsion should be recommended. The report will become part of the student’s permanent record. Further information about cheating and your rights can be found on the CMU website at [http://www.cmu.edu/policies/documents/Academic%20Integrity.htm](http://www.cmu.edu/policies/documents/Academic%20Integrity.htm)

**Performance Evaluation**
Your final grade for the course will consist of grades from the four projects above. They will be weighted as follows:

- **10 %** Class Participation
- **15%** Mini-Assignments
- **20 %** Case #1
- **25 %** Case #2
- **30 %** Final Exam

Your final grade will be determined by your placement on the following scale:

- **A+** 97 - 100 %
- **A**  90 - 96 %
- **A-** 85 - 90 %
- **B+** 80 - 85 %
- **B**  75 - 79 %
- **B-** 70 - 73 %
- **C+** 65 - 67 %
- **R**  below 55%

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90-737 Syllabus – Fall, 2017
### Syllabus – as of August 29, 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Relevant Readings</th>
<th>To Be Discussed in Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Aug. 29</td>
<td>Management Control in Organizations</td>
<td>Chapter 1</td>
<td>Boulder Public Schools Nucor Company</td>
</tr>
<tr>
<td>2 Sept. 5</td>
<td>Long Term Planning and Programming</td>
<td>Chapter 2</td>
<td>Granville Symphony Orchestra</td>
</tr>
<tr>
<td>3 Sept. 12</td>
<td>Preliminary Budgeting Tools – Allocating Costs</td>
<td>Chapter 3</td>
<td>Harbor City Community Center Port City Municipal League</td>
</tr>
<tr>
<td>4 Sept. 19</td>
<td>Preliminary Budgeting Tools – Understanding Cost Behavior / Break Even Analysis</td>
<td>Chapter 4</td>
<td>Distributed Class Problems Harlan Foundation</td>
</tr>
<tr>
<td>5 Sept. 26</td>
<td>Operating Budgets</td>
<td>Chapter 8</td>
<td>El Conejo Auto Clinic</td>
</tr>
<tr>
<td>6 Oct. 3</td>
<td>Cash Budgets Planning for Start Up Funding The Budgeting Process</td>
<td>Chapter 8</td>
<td>Gourmet Delights</td>
</tr>
<tr>
<td>7 Oct. 10</td>
<td>Budgeted vs. Actual Results Flexible Budgets and Variance Analysis – Level 2</td>
<td>Chapter 11</td>
<td>CASE WRITEUP #1 DUE Monday, Oct. 9 at noon Distributed Class Problems</td>
</tr>
<tr>
<td>8 Oct. 17</td>
<td>Standard Costs Input Price and Usage Variances Variance Analysis – Level 3A</td>
<td>Chapter 11 Distributed Materials</td>
<td>Distributed Class Problems Huntington Beach</td>
</tr>
<tr>
<td>9 Oct. 24</td>
<td>Revenue and CM Variances Sales Price and Sales Mix Variance Analysis – Level 3B</td>
<td>Chapter 11 Distributed Materials</td>
<td>Distributed Class Problems</td>
</tr>
<tr>
<td>10 Oct. 31</td>
<td>Interpreting Variances Using Variance Analysis in Management Decisions</td>
<td>Chapter 11, 12 Distributed Materials</td>
<td>Distributed Class Problems Spruce Street Shelter</td>
</tr>
<tr>
<td>Date</td>
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<tr>
<td>11 Nov. 7</td>
<td>Achieving Management Control</td>
<td>Chapter 6</td>
<td>CASE WRITEUP #2 DUE Monday, Nov. 6 at noon Franklin Health Associates (A)</td>
</tr>
<tr>
<td>12 Nov. 14</td>
<td>The Mgmt Control Process: Reporting and Evaluation</td>
<td>Chapter 12</td>
<td>United Medical Center</td>
</tr>
<tr>
<td>13 Nov. 21</td>
<td>Optional Class – Review for Final Exam</td>
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<tr>
<td>14 Nov. 28</td>
<td>Management Control: Responsibility Center Design Management Incentives</td>
<td>Chapters 6,10</td>
<td>North Lake Medical Center</td>
</tr>
<tr>
<td>15 Dec. 5</td>
<td>FINAL EXAM</td>
<td>FINAL EXAM</td>
<td>FINAL EXAM</td>
</tr>
<tr>
<td>16 Dec. 12</td>
<td>Final Exam Discussion Additional topics to be determined</td>
<td></td>
<td>To be Announced</td>
</tr>
</tbody>
</table>

**Note:** Cases and topics may change from those listed above. There may be additional Distributed materials, articles and examples See Canvas each week for updates.