COURSE OBJECTIVES AND DESCRIPTION

This course is designed for students wishing to acquire a more in-depth understanding of financial-management issues related to resource measurement and management. It focuses on one of the most fundamental and important issues in managerial finance – the measurement of resource use. That information fuels a broad array of management, policy, and finance issues. For example, nonprofit and governmental organizations faced with limited resources and an unbounded demand for services constantly face the issue of how they should allocate those scarce resources to generate the highest level of social good. Managers cannot even begin to answer that question until they can match specific resource use to the myriad of activities and programs the organization is tasked to deliver. The same is true when organizations contemplate reinventing themselves or reengineering the processes they use to deliver services. Whether it is explicitly stated or not, accurate cost-measurement skills are crucial for cost-benefit and cost-effectiveness analyses, decisions to expand or contract services, contract negotiations, and program evaluation. In fact, it is hard to think of a change decision that nonprofit and government managers may be asked to make during their careers that does not rely in part on the accurate measurement of resource use.

Specifically, this course will focus on issues of management-control systems, cost measurement for reporting and cost analysis for decision making. Topics will include the elements of management-control structures, cost definitions, product costing, cost allocation, standard costing, activity-based management, economic value added, the use of statistical and operations research models in financial management and other current issues in managerial finance and resource management. The course will use problems and cases to help students develop skills they can apply directly in the workplace.

Class Discussion: Student participation and discussion is expected. All students should come to each class prepared to discuss issues raised in the class assignment for that lecture or to explain their solutions to assigned problems to the best of their ability. You are also encouraged to send “Fuzzy point” emails to the instructor prior to class if you are unclear about anything in the readings.

Course Communications: From time to time, I may wish to communicate to you concerning course assignments or modifications to the syllabus. I will send announcements by email and post them to the
course Blackboard page. Please check your e-mail and the Blackboard site at least once a week throughout the term. If you miss a lecture or discussion session, you will be able to download copies of the class notes and any handouts that were distributed from Blackboard.

**Time Commitment:** Like most finance courses, this one will be fast paced and require a commitment of at least ten hours per week including class time. It will also call upon you to master a portion of the material on your own and extend what you have learned in new ways.

**Contact Information:**
Professor Steven Winters-Bona
Phone: Work: 257-3471 ; Home 399-3989
Email: aandswb@aol.com
Office Hours: before and after class and by appointment

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**Modifications:** Any modifications to the syllabus will be announced in class and posted to the course Blackboard site.

**TEXTS AND OTHER MATERIALS:** There are no texts specifically focused on cost management for nonprofit and governmental organizations. We will be using a healthcare oriented text by Finkler and Ward. The Finkler and Ward text does a good job of presenting the fundamental cost-management concepts in a service environment. We will also use readings from the GFOA text plus cases and examples in class to bridge the gap between healthcare and the application of cost measurement and management techniques to the public-service sector. The course texts will be available at the Mary Jane Bookstore.

Michel, R. Gregory, Cost Analysis and Activity-Based Costing for Government, Government Finance Officer’s Association Budgeting Series Volume 6, 2004. This will be referred to as “GFOA” throughout the syllabus.

Supplemental Readings: These materials will be available on the Course Blackboard site. These materials will be referred to as “Readings” throughout the syllabus. The bulk of the readings have been taken from:


Cases: Other cases will be available on the course Blackboard site. The case material available through Blackboard will be referred to as “Blackboard” throughout the syllabus.

REQUIREMENTS AND GRADING

最关键 10% of your Grade will be based on the MCAC Cost-Allocation Case
ря 35% of your grade in this course will be based on the midterm exam.
ря 35% of your grade will be based on a final exam.
ря 20% of your grade will be based on your homework assignments.

All required readings and problem assignments must be completed prior to class. Your grade for the course may be lowered if you are not prepared to discuss assigned problems and conceptual issues in class.

ASSIGNMENTS

There are problems due assigned throughout the syllabus. All assignments must be completed using a spreadsheet program like EXCEL. Spreadsheet output must be formatted using a word processing program like Work or Word Perfect. Come to class prepared to discuss the implications of your findings using language a manager with little or no finance background could understand. That means you need to explain what you did and why you did it in terms a manager would understand.

Unless otherwise stated, assignments will not be graded. You will receive credit for the assignments if
you make reasonable effort to solve the problems and present your solution in an intelligible way.

Assignment must be submitted at the beginning of the class when they are due. If you must miss a class, be sure to put your assignment in my email before class starts. If you can not email it before class, you may fax your assignments to my attention at 518-442-5298. Be sure to include a cover page asking that the fax be put in my mailbox. If you email your assignment, all work must be in a Word document. Raw spreadsheet submissions will receive no credit.

**METHOD OF INSTRUCTION:** Lectures will meet for 180 minutes each week. These sessions will mix lecture, problems, cases and discussion teaching methods. The lectures will focus primarily on conceptual and analytical material. The book also contains descriptive material. You will be responsible for the descriptive material, even if we do not have enough time to cover it in class. To allow adequate class time to discuss critical and difficult issues, I will rely on you to read required chapters prior to class and to be familiar with the descriptive material in the chapters.

**Case Studies, Discussion Questions and Problem Sets:** There are case studies and problems spread throughout the course. They are meant to help you gain familiarity with the tools discussed in the lectures. Case studies tend to be complex and time consuming. Make sure that you set aside the time necessary to complete each assignment. Also, be sure to complete all of the calculations far enough in advance of the class session to allow time to think about what the results mean from a manager’s perspective. We will be spending a fair amount of class time doing exactly that.

All assignments must be completed using a spreadsheet program like Excel and your answers to case questions must be prepared in a word processor like Word and presented in a Word file including all relevant supporting data from your spreadsheet analysis. Assignments that are not in Word documents and ones that only include “raw spreadsheet output” will lose credit.

With the exception of the Metropolitan Center for Animal Care case, Assignments will be graded on a best-efforts basis. If you make a reasonable attempt at solving the assigned cases and problems and present your answers in a cogent, logical manner, you will receive full credit for the assignments.

**THE MCAC CASE:** The Metropolitan Center for Animal Care (MCAC) case involves preparing the materials you feel the director of the center will need for upcoming contract negotiations with the city. At the very least, you will need to develop profitability and marginal-contribution analyses for the segment of MCAC assigned to you. However, that will be just the start of your assignment. Senior managers need a lot more than just raw numbers. They need to have enough information to argue the Center’s case for funding. That includes insights into how the center might be able to operate with reduced funding. To meet these needs, you need to anticipate the questions the Director is likely to ask during a briefing as well as the arguments the City is likely to make for funding reductions.

The case and a set of related Excel spreadsheets are available on Blackboard. For this assignment, you will work in teams to develop an activity statement for one of MCAC’s operating-areas based on full-and marginal-cost allocations. Each team will be assigned a different part of the center’s operations to analyze. You may choose your own team members. However, if you have not made your selections by the fourth class, I will randomly assign people to teams.

Costs must be assigned using Activity-Based-Costing. To do the allocations, you must both identify and
assign what are called “traceable costs” in ABC terminology and assign “untraceable” costs based on cost drivers you feel are appropriate. There are also what I will call “intermediate” costs that you will have to deal with. In general, these are costs that can be traced to the management of specific resources which can, in turn, be traced to activities. Where full-costs are required for your analysis, you will need to find the cost of the resources including all intermediate costs before calculating traceable and untraceable costs. When allocating the untraceable costs, you must use the simultaneous equations (reciprocal) allocation technique.

Your assignment is to produce the information that MCAC’s management will need to conduct a successful fee negotiation with the city. At the very least, your written report and presentation should include: (i) identification of the sources of revenue for your assigned area of MCAC, (ii) identification of traceable and untraceable costs in your cost base; (iii) a discussion of the allocation bases (drivers) that you decided to use to allocate the untraceable costs, (iv) a discussion of the strengths and weaknesses of the cost system as it is presented in the case, (v) estimates of the marginal revenue, marginal cost and marginal contribution for your activity, (vi) the implications of your cost findings for the operation of the organization and MCAC’s upcoming negotiations with the city, and (vii) your recommendations for what needs to be done to develop a practical and cost-effective system that MCAC can use on a day-to-day basis. However, that information may not be enough to support successful negotiations. It is up to you to expand on this list and make sure that the information you provide will help management meet its broader goals. This is not just a cost estimation exercise. It is a management exercise. My hint to you is to “think marginally”. As you consider your recommendations, keep in mind no cost system can ever be perfect. It only needs to be “good enough”. In addition to doing the cost calculations, focus on the cost system itself. Do not stray into issues of mission. That is an important but separate issue from the development of the information needed to support management in its negotiations.

The MCAC case will be graded and worth 10% of your total course grade. You will make a preliminary presentation of your findings during class twelve and present your final recommendations during class thirteen. Your written individual reports are due at the beginning of class 13. Remember, your goal is to prepare the Center’s director for the upcoming negotiations. Your presentation must be self-contained. Do not switch back and forth between your presentation and related spreadsheet but do be prepared to answer question about how you generated the numbers. Also, expect question about how you would change the way the center operates were funds to be cut. Your presentations and recommendations should present information that the Center Director can use in upcoming negotiations and help the Director to prepare for a future with fewer resources.

However, you will not be going into the final presentation blind. You will have opportunities to present intermediate findings and get feedback in classes 9 through 12. Please plan on being ready to present a status report during each of those classes.

ASSIGNMENTS MUST BE TYPED AND ALL PROBLEMS SOLVED USING EXCEL. LATE ASSIGNMENTS WILL RECEIVE NO CREDIT. RAW, UNFORMATTED SPREADSHEET DATA WILL RECEIVE NO CREDIT.

The schedule of assignments is as follows.
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<td>Class 13 - MCAC</td>
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CLASS 1:  
**Introduction:** We will talk about the course requirements, review the three principal methods of accounting: cash, accrual and modified accrual and investigate how they might impact cost-finding exercises. We will also talk a bit about what financial cases are and how you might approach working on them.

**Readings and Assignments:**
1. Finkler, Financial Management for Public, Health, and Not-for-Profit Organizations - Fundamental Equation, Cash and Accrual Accounting, Depreciation, Inventory Expense, Modified Accrual Accounting. Chapter 4, pages 126-160 Understanding Costs. Read this material if you feel you need to refresh your understanding of these concepts.
2. GFOA: – Chapter 5, pages 59-67. Read this material carefully. There are several places where the GFOA’s treatment of costs does not agree with widely-used cost principals. We will talk about why that is so and whether GFOA or standard practice is the correct approach for governments.
3. Blackboard: – Some Thoughts on Case Analysis, Writing Case Memos and the Role of Finance as a Management Tool
4. Readings: - Program Budgeting Works in Nonprofit Institutions, MacLeod, HBR

CLASS 2:  
**Cost Definitions Continued, Cost Behavior and Pricing:** In class two, we will develop a broad model of the objectives and challenges of cost measurement. Then, we will spend time talking about the various definitions of cost that will be used throughout the course and relate them to specific decisions that face governments and nonprofit organizations. Finally, we will talk about break-even analysis and the relationships among cost, pricing and management behavior.

**Readings and Assignments:**
1. Essentials: Chapters 1, 2
2. Readings - Issues: 1-1
3. Readings: Anthony and Young Chapter 7 pages 312-331
4. GFOA: Chapters 1, 2, 3 pages 39 to top of 43, 4 pages 59 to top of 67, Chapter 7, pages 95-105
5. Application Reading: GFOA: Chapter 7 – Setting Fees and Charges pages 95-105
6. Recommended Practice: GFOA: Appendix B – Charges and Fees, pages 189-91
7. Assignments: Discussion Questions - Essentials: Chapter 1: 1 to 10 & Ch. 2, 1 to 7.
   Problems – Essentials - Chapter 2, problem 1. (1 points)

**Note:** “Essentials” refers to Essentials of Cost Accounting for Health Care Organizations. “GFOA” refers to Cost Analysis and Activity-Based Costing for Government. All of the problems and review questions are either taken from Essentials. Cases are identified as “Readings” or “Blackboard” if they are from other sources. “Readings - Issues” refers to readings in the packet taken from Issues in Cost Accounting for Health Care Organizations.

### CLASS 3: Product Costing: Departmental vs. product-line costing, standard costing and microcosting

**Readings and Assignments:**
1. GFOA: Chapter 3
2. Readings - Issues: Readings: 3-1 & 3-4
3. Essentials: Chapters 3
4. GFOA: Appendix E – Cost Accounting Form, pages 207-14
5. GFOA: Appendix F – Developing a Detailed Flow Chart, pages 215-21
6. Application Reading: GFOA: Chapter 6 – Measuring and Improving Efficiency
7. Recommended Practice: GFOA: – Appendix A, pages 185-7

### CLASS 4: Complete the discussion of costing alternatives. Non-routine decisions and break-even analysis

**Readings and Assignments:**
1. Essentials: Chapter 5 & 6
2. Readings - Issues: Readings: 5-1 and 6-3
3. Application Reading: GFOA: Chapter 8 - Make-versus-Buy Decisions, pages 107-17
   GFOA: Chapter 9 – Changing the Level of Service pages 119-23
4. Assignments: Discussion Questions - Chapter 5, 1 to 4 & Chapter 6, 1 to 7.
   Problems - Essentials: Chapter 5 problem 3, Readings: Museo de la Casa Case (relevant costs), pages 301-4, Town of Belmont Case (relevant costs), pages 308-312, Energy Associates Case (break even) pages 295-6 (3 points),

### CLASS 5: Cost Allocation: determining overhead-allocation bases; motivation issues; joint costs; ratio of cost to charges vs. relative value unit costing, direct allocations, step-down allocations and the reciprocal-allocation method.
Readings and Assignments:
1. Essentials: Chapter 4
2. Readings - Issues: Readings: 4-2 and 4-3
3. GFOA: Chapter 3
5. Assignments: Discussion Questions - Chapter 4, 1 to 8.
   Problems - Essentials: Readings: Mossy Bog Transportation Agency
   Case (cost allocation), pages 243-244 (1 point)

CLASS 6: Complete cost allocation discussion. Activity-Based Costing (ABC)

Readings and Assignments:
1. Essentials: Chapter 18
2. GFOA: Chapter 12
3. Assignments: Discussion Questions - Essentials: Chapter 18, 1 to 6. Essentials:
   Chapter 18 problem 1, Blackboard: Metro Performing Arts Center
   Case (cost allocation), ABC and ABM in Government Case (ABC
   Process Case), (3 points)

CLASS 7: MIDTERM EXAMINATION: 35% OF COURSE GRADE:

The midterm Exam will cover all of the topics from the first six classes. The midterm
will focus on the materials in the class notes, and assignments. You may bring two pages
of 8 1/2 x 11, double-sided notes to the exam. International students may also bring a
dictionary to the exam.

CLASS 8: Review of Midterm Exam, management control & predicting future costs: using
groups; linear regression; interrupted time-series, and learning curves. We may also
begin the discussion of variance analysis if time permits.

Readings and Assignments:
1. Essentials: Chapters 10 and 7
2. Readings - Issues: Reading 7-1 and 7-23.
3. GFOA: Chapter 5, pages 43-58 and 67-70
4. Assignments: Discussion Questions – Essentials: Chapter 7, 1 to 9 and Chapter 10, 1
to 7. Problems - Essentials: Chapter 7, problems 2 (do the regression on
a computer not a calculator) and 3 (learning curves), Blackboard:
University Heights Case (2 points)

CLASS 9: Discussion of variance analysis and productivity measurement. First MCAC case-
solution review.

Readings and Assignments:
1. Essentials: Chapters 9, and 12
2. Readings - Issues: Reading 9-3, 9-4 and 12-1
3. **Assignments:** Discussion Questions – **Essentials:** Chapter 9, 1 to 7 and Chapter 12, 1 to 10. Problems - **Essentials:** Chapter 9, problem 1 and Chapter 12, problems 1 and 2. **Blackboard:** Rural Rutland Fire Station Case (variance analysis) (2 points)

**CLASS 10:** Expected-value and monte-carlo simulation methods, critical-path method, linear programming, network-cost budgeting and sensitivity analysis.

**Readings and Assignments:**
1. **Essentials:** Chapters 14
2. **Readings - Issues:** 14-2 and 14-3
3. **Blackboard:** Linear Programming Using the Excel Solver
4. **Assignments:** Discussion Questions - **Essentials:** Chapter 14, 1 to 10. Problems – **Essentials** Chapter 14 problem 3, **Blackboard** Linear Programming Assignment (2 points)

**CLASS 11:** **Inventory and Cash Management:** general discussion of inventory management and the economic order quantity problem. If time permits, we may also discuss how the EOQ model can be used to determine the optimal level of short-term investments. **Second MCAC case-solution review.**

**Readings and Assignments:**
1. **Essentials,** Chapter 13
2. **Readings - Issues:** Reading: 13-1
3. **Additional Readings** on optimal inventory calculations under uncertainty and optimal cash management strategies will be posted to Blackboard.
4. Application Reading: **GFOA:** Chapter 11 – Buying in Bulk
5. **Assignments:** Discussion Questions - **Essentials:** Chapter 13, 1 to 10. Problems - **Essentials:** Chapter 13, problems 1 and 2. Additional problems on inventory and cash management under uncertainty will be posted to Blackboard. (2 points)

**CLASS 12:** **Discussion of Total Quality Management and cost accounting and Information systems in cost management and first MCAC group Case Presentations.**

**Readings and Assignments:**
1. **Essentials,** Chapters 15, 19, 20
2. **Readings - Issues,** Reading 15-2, 18-1 and 18-2
3. **GFOA:** Chapter 13
4. **Assignments:** Discussion Questions - **Essentials:** Chapter 18, 1 to 5; Chapter 19, 1 to 3 Problem – **Essentials:** Chapter 19, problem 1 (2 points)
5. Prepare you presentation group presentations of the MCAC Case.

**CLASS 13:** **Final MCAC group Case Presentations and discussion.**

**Assignments:**
1. **Assignment**: Prepare both a written case memo and your revised presentation of the MCAC Case. This assignment will be graded. (10 points)

**CLASS 14: FINAL EXAMINATION - 35% OF COURSE GRADE**

The final examination will cover all topics from class nine through class fourteen. The final exam will focus on the materials in the class notes and the exercises. You will be permitted to bring two pages of 8 1/2 x 11, double-sided notes to the final exam. International students may also bring a dictionary to the exam.