

**Shidler College of Business**  
**The University of Hawai'i at Mānoa**  
**MBA**  
**BUS 624 Accounting for Decision Making**  
**Fall of 2023**  
**(version 8-5-2023)**

BUS 624: Accounting for Decision Making  
Meeting Days: Thursdays, 6:00 pm to 8:45 pm at  
BUSAD D101  
Office Phone: 956-5578  
Office Location: Shidler College #C306  
Email: hamid@hawaii.edu  
Cell phone: 808 429 2741  
Office number: 808 956 5578

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**Course Description:** Accounting tools for business professionals focusing on the role of accounting information in capital markets, managerial decision-making, and corporate governance.

**Student Learning Outcomes:**

1. Students will develop an in-depth understanding of the measurement concepts involved in external financial accounting reports and understand and interpret real-world accounting reports.
2. Students will develop an understanding of the use of accounting information by external stakeholders (including shareholders, financial analysts, and other capital market participants).
3. Students will develop an understanding of internal management's use of accounting information for strategic use and decision-making.
4. Students will learn about the role of accounting in governance and control over organizations.

**Student expectations:**

Students are expected to read the text chapter before coming to class. You should also read and get started on the problems noted in the assignment column before class, even though we will try to work on the problems during class. Attendance and class discussions will be considered in assigning the participation points, which are 25% of the course grade.

**Pre-requisites:** Completing the mandatory 12 contact-hour accounting tutorial, passing Acc 201 and 202 in the University of Hawaii at Mānoa undergraduate program, or the equivalent. Students with significant accounting training and experience may petition for a waiver of the Tutorial. They will be asked to take a short exam to confirm their knowledge of the subject matter.

**Textbook Information:** Financial & Managerial Accounting for MBAs, Sixth Edition, by Easton, Halsey, McAnally. Cambridge Business Publishers.

## Course Grading Policy:

Ratio Analysis project (group)	25%
Management accounting interview Project (group or individual)	25%
Participation (includes in class quizzes)	25%
Final exam	<u>25%</u>
Total	100%

**Academic Dishonesty:** Instances of academic dishonesty, which are clearly defined by the University Student Conduct Code (<https://manoa.hawaii.edu/studentsuccess/conduct-code/>), will not be tolerated. **Any instance of academic dishonesty may result in a grade of "F" for the assignment or the entire course.** Students should note that the instructor has a great deal of latitude in determining the punishment/consequences for academic misconduct. In light of recent high-profile accounting scandals, a rigorous interpretation and harsh consequences will be imposed for this course. The Dean of Students may also impose further disciplinary sanctions by the fore-mentioned Student Conduct Code.

**Student Handbook:** All information on student services, policies, and procedures not mentioned in this syllabus are available in the Shidler College of Business MBA Student Handbook. You will be responsible for understanding all University of Hawaii and Shidler College of Business policies and procedures; if you have questions regarding any of these items, don't hesitate to contact the MBA staff, faculty director, or the course professor.

## DATES to remember:

August 25, 2023, the Last day of the Tutorial

August 25, 2023, Company selection-email [hamid@hawaii.edu](mailto:hamid@hawaii.edu) with the name and stock ticker of the company your group has selected. This is for a financial project.

October 5, 2023, or earlier. Provide the name of your selected firm for a managerial project.

October 5, 2023, Preliminary progress report on Financial Statement Analysis & Financial Planning.

November 30, 2023 Ratio (financial) project is due.

December 7, 2023, the **FINAL EXAM**

December 14, 2023 Management accounting interview project is due

### Tentative Course Calendar:

\* Following schedule may be adjusted to enhance learning outcomes.

Date	Pre-class reading assignment Hand-in assignment due	In-class problem assignment
Tutorial session 1, August 14, 2023 6 to 9 pm	Module 1: Financial Accounting for MBAs Module 14: Managerial Accounting for MBAs Find the 10-K filings for Berkshire Hathaway and Apple Computer using the SEC Edgar website (see pages 1-23 of the textbook for instructions on how to use the website)	BUS 624 for Global MBA Tutorial
Tutorial session 2, August 16, 2023 6 to 9 pm	Module 2: Introducing Financial Statements Module 3: Transactions, Adjustments, and Financial Statements	BUS 624 for Global MBA Tutorial
Tutorial session 3, August 17, 2023 6 to 9 pm	Module 15: Cost Behavior, Activity Analysis, and Cost Estimation Module 16: Cost-Volume-Profit Analysis and Planning	BUS 624 for Global MBA Tutorial
Tutorial session 4, August 25, 2023 6 to 9 pm	Review and assessment of tutorial learning <b>Tutorial Review Session</b> <b>Email the company name and stock ticker you selected for your ratio assignment to hamid@hawaii.edu.</b> Be sure to list the names of all the members if this is a group assignment.	BUS 624 for Global MBA Tutorial  Students will do an exercise in class with four problems from Ch. 2, 3, 15, 16
Thursday August 31, 2023 6:00 p.m. to 8:45 p.m.	Module 4: Analyzing and Interpreting Financial Statements	E4-31, E4-34, P4-41 Students will meet in groups to organize their financial statement ratio analysis project.
Thursday September 1, 2023 6:00 pm to 8:45 pm.	Module 5: Revenue, Receivables, and Operating Expenses	E5-34, E5-37, E5-43, P5-49, P5-51
Thursday September 8, 2023 6:00 pm to 8:45 pm.	Module 6: Inventories, Accounts Payable, and Long-term Assets	E6-23, E6-24, E6-30, P6-36, P6-37
Thursday September 15, 2023 6:00 pm to 8:45 pm.	Module 7: Current and Long-Term Liabilities	M7-19, M7-26, E7-34, E7-37, P7-45
Thursday September 22, 2023 6:00 pm to 8:45 pm.	Module 8: Stock Transactions, Dividends, and EPS	M8-30, E-37, E8-40, E8-47
Thursday September 29, 2023 6:00 pm to 8:45 pm.	Module 9: Intercorporate Investments	M9-19, M9-23, E9-28, E9-29, E9-36, E9-41
Thursday October 5, 2023 6:00 pm to 8:45 pm.	Module 10: Leases, Pensions, and Income Taxes	E10-29, E10-34

Thursday October 12, 2023 6:00 pm to 8:45 pm.	Module 17: Relevant Costs and Benefits for Decision Making	E17-19, E17-20, E1-21, E17-23, E17-25, E17-27
Thursday October 19, 2023 6:00 pm to 8:45 pm.	Module 18: Product Costing: Job and Process Operations  Module 19: ABC costing, customer profitability and ABM	E18-21, E 17-22, E18-24, E18-31, E18-32  M19-10, M19-18, E19-25, E19-26
Thursday October 26, 2023 6:00 pm to 8:45 pm.	Module 20: Additional topics in Product Costing Module 21: Pricing and Other Product Management Decisions	M20-19, E20-25, P20-35, MA20-37  E21-21, E21-22, E21-23, E21-26
Thursday November 2, 2023 6:00 pm to 8:45 pm.	Module 22: Operational Budgeting and Profit Planning	M22-17, M22-20, M22-21, M22-24, P22-36, MA22-43
Thursday November 9, 2023 6:00 pm to 8:45 pm.	Module 23: Standard Costs and performance reports	M23-16, M23-22, E23-27, MA23-42
Thursday November 16, 2023 6:00 pm to 8:45 pm.	Module 24: Segment Reporting, Transfer Pricing, and Balanced Scorecard	E24-24, E24-25, E24-27, E24-34, P24-38
Thursday November 23	Thanksgiven holiday	
Thursday November 30, 2023 6:00 pm to 8:45 pm.	Financial Project is due; Presentations.	
Thursday December 7, 2023 6:00 pm to 8:45 pm.	Final Exam	
Thursday December 7, 2023 11:59 pm.	MANAGEMENT ACCOUNTING INTERVIEW PROJECT DUE	

## The integrated project with BUS 624– Accounting

### Purpose:

The financial statements and disclosures are intended to provide external investors, creditors, and regulators with information about the company's performance. Investors are interested in the firm's profitability relative to its industry peers and management effectiveness. Creditors are interested in the ability of the firm to repay debt with interest. Regulators are interested in protecting the public and ensuring that the firm complies with laws and other requirements.

To address these needs, users of financial statement information analyze them using several well-accepted techniques, tools, and methods, which every MBA student should know. This assignment is designed to help you learn where to obtain the relevant information for financial statement analysis and organize and analyze it to understand its profitability, liquidity, solvency better, and overall performance over time compared to industry peers.

**Company Selection:** [August 25 - email hamid@hawaii.edu with the name and stock ticker of the company your group has selected and the names of your group members.](mailto:hamid@hawaii.edu)

Select a company to do a comprehensive financial analysis. You need to choose a publicly traded company on the New York Stock Exchange, NASDAQ, or AMEX. Do not select a firm in the banking, insurance, finance, or financial services industry. Obtain the most recent 10K, annual report, and proxy statement. This information can be obtained using the EDGAR database (see your textbook, chapter 1 explaining how to access it) or from the company website. Also, if possible, get analysts' reports and begin looking up press releases about the company, its competitors, and its industry. Obtain industry averages for ratios and common-size financial statements using U.H. library resources.

**SCENARIO:** The company's board of directors hires you to prepare a comprehensive company analysis. The assignment includes: (a) preparing a pro forma financial statement and examining the external financing needs; (b) evaluating the company's riskiness (business risk, operating risk, and financial risk); (c) assessing the company's investment and financing strategies; and (d) examining its capital structure.

**NOTE:** For Bus 629, you may use the same company you evaluated for your group project in BUS 624. This way, you can save time collecting data and use what you did as background material. This way, you can compare and contrast the differences in various financial and accounting practices.

**PART A for Bus 624 - FINANCIAL STATEMENT ANALYSIS & FINANCIAL PLANNING**  
**Your Tasks and Product to Present and Hand In on November 30 (preliminary progress review on October 5)**

1. Collect five (5) consecutive years of financial statement data (e.g., balance sheet, income statement, and sources and uses of funds statement). Compute common-size statements on the company's balance sheet and income statement for the four years.
2. Using the guidelines and information in chapters 4-10 of your accounting text, prepare a complete set of ratios and common-size financial statements for the most recent three-year ends for the company you selected. Compute or obtain the ratios for the company for the four years. (This will be about three -3- pages of tables).
3. Obtain industry averages to compare to your firm's performance. Add these figures to the tables prepared in #2 above. Use the most recent 4-year financial statements and ratio data to benchmark competitors or industry averages.
4. Evaluate major financial trends of the company over the four years. What are the strengths and weaknesses of the company? Is there any evidence that the industry factors could partly explain these trends? Is there a global influence?
5. Evaluate the company's financial statements vis-a-vis the benchmark regarding liquidity, asset and debt management, profitability, and valuation. Use both common-size statements and ratio analysis to support your evaluation. Prepare a 5 to 8-page analysis of the firm's profitability, turnover, liquidity, and solvency. Compare the performance over time and with the industry. Consider analyst reports and other information you find in the business press. Conclude with your assessment of whether the firm would be a good investment, a reasonable credit risk, and an excellent company to work with.
6. Prepare a written analysis of the firm's disclosures for each set of accounts covered in chapters 5-10 (refer to additional instructor instructions). We will discuss these issues in class, and the finished product to include in your report should be a 4 to 6-page written summary, interpretation, and commentary on the information found in the firm's footnote disclosures, as well as other information in the 10-K and Proxy Statement of the firm. (Do not copy the footnotes and published material – interpret and analyze it!)
7. Email the assignment and a website link to the financial statements (10-k) for the company you are analyzing to [hamid@hawaii.edu](mailto:hamid@hawaii.edu).

## **Additional Instructions and Advice:**

**As we study the chapter material, we will discuss issues relevant to the financial statement analysis. Bring your financial statements to class and complete these intermediate steps of the project as we cover the chapter materials. This suggestion will significantly facilitate learning, ease this project's burden, and improve your assignment grade. You may be called upon to share your assessment of these issues for your firm during the class.**

Chapter 4: Use the UH Mānoa Hamilton Library website to find the resources for industry averages and other helpful information to help you analyze your firm and compare it to others in the industry. Set up your spreadsheets to compute common-size financial ratios for the past three years. Put the industry averages in a fourth column. What trends do you see? What are the major categories of expense for the firm? What is their pre-tax and after-tax profit margin?

Disaggregate Return on Equity into the three (3) components of Return on Assets, Profit Margin and Leverage. Does your firm make money on margins or volume? Is it capital-intensive? Is it highly leveraged?

Chapters 4 and 5: Compute the major profitability/operating ratios for the past three (3) years. What trends do you see? How does your company compare to the industry? What are the major sources of revenue for the firm? When/how is revenue recognized? What is the R&D spending ratio? Are there any unusual/extraordinary items or discontinued operations on the income statement? What is their income tax expense %? Find the Tax footnote and identify the primary permanent differences and temporary items that create deferred taxes. Do they have foreign currency translations?

Chapters 5 and 6: Compute the liquidity and turnover ratios for the past three (3) years. What trends do you see? How do they compare to the industry? What is the nature of the company's accounts receivable? Do they have an allowance for doubtful accounts? If so, what % of receivables are in the allowance? What is their collection period? What is the nature of their inventory? What method of costing are they using for valuing inventory? Do they disclose Raw materials, WIP, and finished goods balances? How capital-intensive is the company? What is their fixed asset turnover ratio? What depreciation methods do they use?

Chapter 7: Compute the solvency ratios for the past three years. What trends do you see? How does your company compare to the industry? Find the debt footnote – what interest rates are being paid? Has the company entered into interest rate swaps? What are the coming four (4) year maturities for long-term debt? What is the firm's credit rating?

Chapter 8: What classes of stock does the company have? Describe briefly (par value, issued, outstanding, cumulative, etc.). Did the company issue stock during the year? Does the company have treasury stock? If so, what method do they use to account for it? Did the company issue a cash dividend – if so, how much? Did the company issue a stock dividend or a stock split? Compute return on Equity, Payout ratio, and dividend yield for the past three years. Compute the stock's book value and compare it to its market value for the most recent year-end. What type of stock compensation plans does the company have?

Chapter 9: What is the reporting entity, and how many firms are consolidated? Does the company have investments accounted for using the equity method? Find the investments

footnote disclosures – what amounts are included in trading, available for sale, and held to maturity? Does the firm have intangible assets? If so, what type and how are they valued?

Chapter 10: Does the company have capital leases? Operating leases? What are the four (4) year maturities? What type of retirement and post-retirement benefit plans does the company have? Are they funded? Does the company have any special-purpose entities? If so, are they consolidated?

Examine the statement of stockholders' equity. What are the elements of other comprehensive income? What information can be found here that you didn't see before?

Examine the Statement of Cash Flows. What are the primary operating expenses that don't use cash? Are there income or revenue items that don't generate cash? What are the primary investing and financing activities of the firm?

Review the remaining footnote disclosures. Are there items you still don't understand?

Who are the firm's auditors? Did they change auditors in the past three years? Did the firm receive an unqualified opinion on internal controls? On the financial statements?

Review the recent financial press for your firm. Check their website and see if there is a webcast or other information about recent meetings with analysts. Are there new issues or other important items that occurred since the past year-end that surprised you?

Would you invest in the firm? Would you like to work for the firm?

Various online resources to help with your analysis

#### *Analysts and rating agencies' reports*

U.H. Manoa Library electronic databases – see subject matter index – business.

- Go to company information and find Mergent Online.
- Industrial financial ratios
- Company information – analyst reports
- Industry information
- Country information

<http://library.manoa.hawaii.edu/>

<http://www.moodys.com/Pages/atc.aspx>

[https://www.standardandpoors.com/en\\_US/web/guest/home](https://www.standardandpoors.com/en_US/web/guest/home)

*U.S. GAAP vs. IFRS*

<http://www.iasplus.com/index.htm>

<http://www.ifrs.org/Pages/default.aspx>



*Corporate Governance resources*

International Corporate Governance Network

<https://www.icgn.org/>

Asian Corporate Governance Association

<http://www.acga-asia.org/>

MSCI – parent of Risk Metrics and Institutional Shareholder Services

<http://www.msci.com/>

Glass Lewis & Co.

<http://www.glasslewis.com/>

World Bank Corporate Governance resources links

<http://www.ifc.org/corporategovernance>

Governance Metrics International

<http://www3.gmiratings.com/>

National Association of Corporate Directors

<http://www.nacdonline.org/>

New York Stock Exchange - NYSE Euronext

<http://www.nyse.com>

NASDAQ (search for corporate governance)

<http://www.nasdaq.com/>

SEC

<http://www.sec.gov/>

**UH MBA Business 624 March 2020**  
**Management Accounting Company Interview Project**  
**Due date December 14, 2023**  
**Suggested report format and interview questions**  
**(8 to 12 pages single-spaced)**

**Required:**

1. Select an organization in Vietnam. This could be the organization you are using for your marketing class, management class, or a branch operation of the public company for which you did the ratio project. **Provide the firm's name and the team members' names to the Professor on October 5, 2023, or earlier.**

2. Set up an appointment to tour the facility and hold a one (1) hour interview with one or more middle or upper management levels, which could include the CEO, COO, controller, CFO, etc., who would be knowledgeable about the management accounting issues below.

3. Write a report on the information you gleaned from the interview and what you learned from the assignment.

*Note: It may be helpful to send these questions in advance to the people you will be meeting with, so they can prepare. You may not be able to answer all questions. The report will need to be customized to fit the specific company but refer to the topics we cover in chapters 14-22 in your text for guidance. I suggest you ask for at least a one (1) hour interview with at least three (3) different people, including a top management executive, the CFO or controller, and a mid-level manager involved in the production or operations. When scheduling your interviews, ask the company personnel if they can bring example documents with them so you can understand their system and discuss the issues in more detail. No copies or information need to be taken from the company. All information will be kept strictly confidential, and all students' reports will be destroyed by shredding after grades are completed and recorded in the U.H. system.*

Potential interview questions report content:

1. Briefly describe the company in terms of industry, size, location of operations, and competitive environment. (About two pages using Porter's framework. You should develop the first draft of this part before meeting with them using information from their website. Then confirm your understanding and analysis with them during the meeting.)
2. How does the organization's strategic planning process work? (1-2 pages)
  - a. What is the planning horizon (1 year? 5 years? 10 years?)
  - b. What time of year does the strategic planning process occur in relation to their fiscal year?
  - c. Who is involved in the process?
  - d. How is financial information integrated into the planning process by converting goals into budgets?
  - e. Are compensation and bonus plans for senior management developed at this time to motivate employees? What proportion of senior management compensation is based on performance?
  - f. Are budgets set to be easy or difficult to achieve? How often have budgeted results been achieved in the past?
  - g. How are the high-level budgets converted into detailed departmental budgets used by lower and mid-level management for day-to-day operations?
  - h. How is the management accounting system integrated with the financial accounting system? Are there differences in the amounts and systems used for external versus internal reporting?

3. What are the most critical internal management accounting and control issues for the company to compete and succeed? What type of accounting systems do they use to address each of these issues? (Try to examine copies of these reports during the discussion to improve your understanding.) (1-2 pages)
  - a. Cost accumulation and allocation to products?
  - b. Cost control?
  - c. Information for bids or product pricing?
  - d. Process improvement/activity-based management?
  - e. Motivation/retention of employees?
  - f. Other?
4. What are the major components of costs in the company? For labor and facilities, which costs are fixed overtime periods, which are variable and mixed? Are their economies of scale involved? Do they use break-even or cost-volume-profit analysis in their planning and decision-making regarding accepting orders, launching new products, or outsourcing operations? How does the company analyze cost and profit information to decide on new projects, customers, and products?
5. What additional special financial analysis do accountants or departments have to produce for management control purposes? Who uses this information and how?
6. Concerning the accumulation of costs, does the company use a job order or process costing system or some combination? How are the costs of various activities, products, or departments accumulated? How do they allocate costs from service departments or headquarters to departments and products?
7. Do they use a standard costing system? Do they compute and analyze budget variances by department? Do they adjust original budget numbers for changes in economic conditions or other conditions that impact volume and ease or difficulty achieving the original budget?
8. Do they buy or sell products or services from other divisions or related companies? If so, how are the transfer prices determined?
9. How do their cash projections and cash management system work? Is cash flow a critical issue for them? Why or why not?
10. Does the company use mid- and lower-management and operations employees' incentive systems to support cost control, revenue growth, or profitability?
  - a. Approximately how much pay at each level is based on performance?
  - b. How significant is achieving financial targets, sales, or cost control goals to promotion decisions?
11. If the person you are interviewing were back in school taking a management accounting class, what do they wish they learned to be helpful in their job now?