Introduction to Accounting (H212)
Winter 2004

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In this course we study: (1) how accounting information (especially that pertaining to product costs) is produced and (2) how such information is used. We frame managerial decisions in terms of revenue (or benefit) and cost (or sacrifice). We begin the course with an overview of the basic cost terms and how these costs appear in financial statements. In practice, the accountant has to estimate many of the costs. This leads us to the topics of local linear approximations and aggregation. Equipped with these basics we proceed to determine product cost. Here we encounter many alternatives. Products (and inventory) can be valued at actual cost or at some predetermined (or standard) rate and fixed costs may or may not be part of inventory value; now we need to think carefully of what we mean by product and period costs and how they may impact decisions. The problem is further compounded if one recognizes the possibility of multiproduct firms and joint costs.

Throughout the course we think of the questions the accountant faces and attempt to answer at least some of these questions (some more successfully than others). This course also focuses on the decision-relevance of accounting information. We study both unconstrained and constrained profit planning. We discuss how one might value an information system. We try to model a decentralized firm and look at the impact of information asymmetry on the design of management control systems. Practices unique to accounting (e.g., joint cost allocations, transfer pricing methods, variance investigation etc.) are stressed.

Class Participation

I encourage class participation. During class, I will frequently ask if you have any questions and request assistance in working problems. One appealing way to participate in class is to volunteer to present solutions to problems on the board. You may do this individually or, if you prefer, in groups. Not only will working in groups improve the depth of your understanding of the topics, it is a skill that is important to a successful career.
Grading

Class Participation: 15%
Mid-term (in-class) Exam: 35%
Final (take-home) Exam: 50%

Required Materials


2. Handout Packet (available for purchase at Cop-Ez on Tuttle Road).
ACKNOWLEDGMENTS

The lecture notes make use of the ideas presented in the following books. I recommend that (at least over time) you purchase these books for your personal library.


In particular, the class notes on cost allocation and transfer pricing (including several of the examples) are borrowed heavily from Zimmerman [1997]. The discussions on aggregation and on control problems are borrowed from Demski [1994] and Zimmerman [1997]. Helpful class notes prepared by Rick Young and Jon Glover (both with close ties to your program) are key to the package. Finally, helpful comments from colleagues, in particular, John Fellingham and Doug Schroeder are gratefully acknowledged.