

711 Performance Measurement and Control Systems

Introduction

711 PERFORMANCE MEASUREMENT AND CONTROL SYSTEMS provides students with the knowledge to use internal financial information in managing an organisation. Students learn how to analyse and evaluate a range of information to manage resources and make decisions about the future direction of the organisation in a strategic context. The subject is designed from a user perspective with a focus on interpreting financial information and making informed assessments of the quality of information for decision purposes.

Case studies

Real-life case studies are incorporated into the subject to provide opportunities for students to apply theory into practice in an authentic context. Examples of cases include

Jin, A.
Stone Group Corp
 Case #9B02B001
 Richard Ivey School of Business
 2002

Narayanan, V.G. and S.T. Pothan
Activity Based Management at W.S. Industries (A)
 Case #9-101-062
 Harvard Business School Publishing
 14 November 2002

Narayanan, V.G. and J. Cott
Activity Based Management at W.S. Industries (B)
 Case #9-102-063
 Harvard Business School Publishing
 22 November 2002

Who should attend

- Executives wishing to enhance their understanding of financial information in business management
- Managers seeking to improve their cost budgeting and production processes
- Decision makers who need to interpret accounting information and manage resources

Learning objectives

Upon completion of the subject, students should be able to

- understand the nature and key concepts of management accounting information
- appreciate traditional and modern cost management systems, their uses and limitations
- develop and use accounting information in resource management and decision making
- apply financial and non-financial information to measure and manage performance over the value chain
- develop and use budgets, recognising their importance and limitations in managing performance
- develop and interpret the meaning of a range of performance measures, such as profit, return on assets (ROA), economic value added (EVA) and balanced scorecard results

Delivery method

The subject is delivered online over a 12-week period, with an assigned Professor acting as mentor. The class will comprise students from different countries and industry backgrounds. Practical case studies and discussions help to stimulate learning and knowledge exchange, while an examination at the end of the subject will help students review and apply the knowledge and skills learnt.

Prerequisites

611 Financial Reporting and Statement Analysis

Assessment

Case analyses (team and individual)	45%
Discussion board activities	30%
Final examination	25%

Syllabus

Segment 1: Introduction

Students are introduced to the syllabus, the resources and communication tools available within the course.

Segment 2: Management Accounting

The segment highlights the difference between external financial reporting information and management accounting information used in decision making. Basic cost concepts and the underlying nature of costs are presented together with a range of ways to classify costs, using both traditional and modern activity-based costing systems. Students are encouraged to develop a deeper understanding of cost behaviour and relevance, to enable effective cost-volume-profit analysis of a project or business.

Segment 3: Cost Management Systems

The segment introduces product costing in price estimates and profit management, showing how costs are developed in traditional cost systems in both job-order and continuous process environments. Activity-based costing systems are explained, applying ABC techniques for enhanced product costing and cost management. *Kaizen* and target costing, benchmarking and environmental costing are some of the topics covered.

Segment 4: Information for Decision Making

Relevant information to determine costs, including sunk costs and differential costs, are examined. Students learn to calculate the financial impact of make-or-buy (in-house vs. outsourcing) decisions, leading to discussion about product mix decisions and the best use of limited resources. Process decisions and the financial impact on quality and time, such as plant lay-out, inventory and management practices, are also considered.

Segment 5: Budgets

The segment explains the role of budgets in the organisation's planning and control cycle, applying common techniques to prepare a master budget. Students learn to analyse actual outcomes compared to budgeted outcomes, and draw inferences about the implications of these analyses for improving future performance. Responsibility accounting as a means of linking budgets with responsibility and accountability structures throughout the organisation are discussed.

Segment 6: Managing Financial Performance

Management control systems and the concept of decentralisation are the focus of the segment. Responsibility and accountability for performance outcomes are linked to the impact of transfer pricing on sub-unit performance measurement. Students learn to calculate common financial ratios used to measure managerial performance and evaluate overall managerial performance based on these ratios. Students also learn to calculate financial performance using economic value-added (EVA) methodology.

Segment 7: Managing Performance

The segment introduces the balanced scorecard and analyses its value creation potential, incorporating the role of strategy in developing the balanced scorecard. The four performance dimensions of the balanced scorecard are explained, leading to analysis of indicators and performance measures. Implementation strategy and common pitfalls are discussed, including motivation models, incentive plans and reward systems.

Required textbook

Atkinson, A., R.S. Kaplan and S.M. Young. *Management Accounting* (4th ed). New Jersey: Prentice Hall, 2003.

Global Faculty

Subject Authors

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Queensland University of Technology

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University of Melbourne

U21Global subjects are created by acknowledged experts in their field, usually senior academics who have strong understanding of postgraduate requirements. The subject content is further reviewed by academic specialists who appraise the subject from an independent perspective, ensuring a high-quality, professional product.

711 Performance Measurement and Control Systems was developed for U21Global by **Lyndal Drennan**, Senior Lecturer at the Queensland University of Technology, Australia and **Louise Kloot**, Professor of Accounting and Academic Leader in Accounting, Business Law and Economics at the Faculty of Business and Enterprise, Swinburne University of Technology, Australia. Dr Drennan has over 20 years experience in manufacturing, service and finance industries, including financial management, financial control, development banking, as well as the not-for-profit sector. Her teaching, research and publishing interests are in the accounting and corporate governance areas. Dr Kloot, who previously headed the School of Accounting and Finance at Victoria University, Australia, is Deputy Chair of the Victorian Industry and Commerce Committee and Chair of the Audit Committee of Dental Health Services Victoria. She is a member of the CPA examination policy committee in Australia.

The subject was reviewed by **Anne Lillis**, Associate Professor of Accounting at the Faculty of Economics and Commerce, University of Melbourne, Australia. She also teaches at the School of Enterprise, Melbourne University Private, which provides graduate professional and technical education. Dr Lillis specialises in financial and performance management. Her current research interests include management control systems design, strategy and performance management, and the causes and performance consequences of corporate downsizing. Dr Lillis is a member of the Accounting Association of Australia and New Zealand, and the American Accounting Association.

Professors

Students' progress will be guided by dedicated Professor Facilitators based around the world. They provide an international perspective and impart knowledge through a wealth of experience in their field of specialisation. Our Professor Facilitators will help students make sense of the information to enable students to transform the information into knowledge and creative solutions.



Asish BHATTACHARYYA

Asish Bhattacharyya is Dean, Planning and Administration and Professor of Finance and Control at the Indian Institute of Management Calcutta, India. Dr Bhattacharyya previously taught at the SP Jain Institute of Management and Research in Mumbai, India. His extensive industry experience spans more than 20 years in senior accounting and finance positions, including Financial Controller of GEC, India. He was a member of the Reserve Bank of India Committee on Financial Reporting by Non-banking Financial Companies (1999) and Insurance Regulatory and Development Authority Committee on Accounting and Auditing Standards for Insurance Companies (1999-2000). Dr Bhattacharyya earned his D.Phil in Commerce from the Allahabad University in India.



Gururajan SETHU

Gururajan Sethu is a Professor at the Indian Institute of Capital Markets in Mumbai, where he was Dean from 1997 to 2004. Dr Sethu is actively involved in research and has been taught MBA courses at the Indian Institute of Management, Ahmedabad and Indore, Indian Institute of Technology, Mumbai and Xavier Labour Relations Institute, Jamshedpur. He has served on a number of committees in the Indian capital markets and has done extensive research, published papers and case studies including research projects funded by the Government of India and the World Bank. Dr Sethu has a PhD from the Indian Institute of Management, Ahmedabad and an MSc in Mechanical Engineering from the Indian Institute of Technology, Madras.