

Teaching notes for Introduction to Managerial Accounting

Environmental Accounting

Stewardship of the earth's resources provides an obvious connection to CST in the study of environmental accounting. Topics typically covered in this section include classification of environmental costs (prevention, detection, internal failure, external failure); incorporation of environmental costing in design, packaging and distribution decisions; and legal liability of environmental costs.

Incremental Analysis

Rather than relying on the outcome of a mathematical analysis of a problem to provide the solution, students are taught to consider the relevant quantitative and qualitative factors. In reviewing the qualitative factors, CST is relevant as noted below. A "3Q" model (explained below) addresses each of the areas of incremental analysis. Sample points to include in the qualitative analysis are included below.

Make/Buy decisions

1. Qualifying question: Does the opportunity to outsource appear to offer cost savings?
2. Quantitative analysis: standard costs to make vs. costs to buy (including common overhead that cannot be eliminated).
3. Qualitative analysis: the following factors are relevant
 - Will quality suffer if production is outsourced
 - Are transportation delays from the production site a concern?
 - Does the outsourcer use sweat shops?
 - Will outsourcing preserve the dignity of the workers – both your current workers and those who will be employed by the outsourcer?
 - Are you likely to incur bad press as a result of outsourcing – either for causing a loss of American jobs, or for using sweatshops?
 - Will the outsourcer's manufacturing facility negatively impact the local environment?

Drop a Product Line decisions

1. Qualifying question: Does the product line appear to be losing money?
2. Quantitative analysis: compare change in contribution margin to change in fixed cost
3. Qualitative analysis: the following factors are relevant
 - Will dropping this product negatively impact sales of complimentary products?
 - Is the product a loss leader?
 - What will happen to workers if the product line is shut down?
 - What will happen to the community (other businesses, school tax revenue, etc.) if the product line is shut down?

- Will shutting down the product line have negative effects on the environment?
- Was this product introduced with an eye towards planned obsolescence (Beanie babies; Disney movies)?

Extra credit assignment on Sweat Shops

Each student should attend the presentation of the Nike film, *Behind the Swoosh*, (produced by Educating for Justice). (One semester, our students also benefitted from a Skype discussion with Alta Gracia workers before the presentation of the film. Alta Gracia, which operates in the Dominican Republic, guarantees a living wage to its workers.) Following this, each student should reflect on the movie and the following discussion. The fruits of this reflection should be reported on a brief reflective paper, and posted no later than 48 hours after the class. This reflection should consider questions such as the following:

- What aspects of the movie most deeply affected me? Why?
- What aspects of the movie are most relevant to me and my life? Why?
- If there wasn't anything in the movie that touched me or seemed relevant, why wasn't there?
- Did I gain any new insights?
- What new issues do I want to consider as a result of seeing this film?
- Did anything I experienced change the way I see myself? Others?

If your reflections on the class material led you to search the web for additional sources, please include a link to the additional materials you considered in your reflection.

Budgeting

In explaining why participative budgeting is the preferred approach to budgeting, there is an opportunity to introduce CST on the dignity of the worker. This is a more modern and consistent explanation for participative budgeting than the pop psychology theory often associated with this innovation.

Exam questions

Discuss the interaction between economic conditions and the existence of sweatshops using specific examples from three countries we discussed in class. Be sure to address the pros and cons of having sweatshops in these countries from the perspective of those who live in the countries.

List five qualitative factors that should be considered in the decision on whether to outsource production of a component of a product.

List four qualitative factors that should be considered in the decision on whether to drop a product line.

Suggested readings

Economic Justice for All

http://www.usccb.org/jphd/economiclife/pdf/economic_justice_for_all.pdf

Voice and Choices (The Poultry Pastoral)

<http://www.americancatholic.org/News/PoultryPastoral/english.asp>

Renewing the Earth

<http://www.usccb.org/sdwp/ejp/bishopsstatement.shtml>

Catholic Social Teaching and Ecology Fact Sheet

http://www.sjweb.info/sjs/networks/ecology/CST_ENG.pdf