

Hello and welcome to Accounting 2301.

For many people, when they think of accounting and accountants, they think of jokes such as the following.

An accountant visited the Natural History museum. While standing near the dinosaur he said to his neighbor: "This dinosaur is two billion years and ten months old".

"Where did you get this exact information?"

"I was here ten months ago, and the guide told me that the dinosaur is two billion years old."

In addition to learning foundation material related to managerial accounting, one goal of this course is to convince you that a career in accounting doesn't entail mindless record keeping (i.e., bookkeeping). As evidence, accounting is consistently rated a "top ten" occupation by various groups and publications who rate such things (e.g. Jobs Rated Almanac).

Factors favorably influencing job ratings include relatively low stress, relatively high compensation, a high level of autonomy, hiring demand, etc. Recent projections from the Bureau of Labor Statistics suggest that the future of accounting is bright (at least relative to many professions in today's economy).

You might wonder, "Why should I choose accounting over alternative business majors?" The best reason to choose accounting is that you *like* accounting more than the alternatives (finance, management, marketing, etc.). Unfortunately, the most interesting aspects of accounting (and likely all other possible majors) are often understood only after completing relatively advanced coursework. Because this course covers fundamentals of managerial accounting, it may not be possible to clearly illustrate why accounting can be an enjoyable and satisfying career – but I'll do my best to illustrate the profession in the limited amount of time available.

Some Don't Care for Accounting

Without question, as a subject of study, accounting is often found to be confusing. This is probably because accounting has a relatively high 'entry' cost, meaning that it usually takes some time to grasp the underlying principles. This is because the methodology of accounting is unique, and it requires a specific way of thinking.

By virtue of meeting the prerequisite requirement for this course (ACCT 2300 or equivalent), you are assumed to have foundation knowledge of financial accounting. (Much financial accounting affects managerial accounting.) This assumption will be tested on the second day of class.

If you successfully complete this course and understand (or have begun to understand) why accounting information is useful in business, I encourage you to consider giving ACCT 3304 a try (something you *must* do as an accounting or a finance major).

Accounting 2301 Overview:

The course catalogue describes ACCT 2301 as follows.

Uses of accounting information for planning decisions about products and services, activities and processes, suppliers and customers, organizational subunits, and time periods as these relate to organizations in changing environments.

The preceding is a reasonably good 30-word description; however, before committing two hours a day (starting at 8:00 am!), five days a week, for a solid month (in the summer!) to this course, a more complete description seems appropriate.

To review a fact that you should already know, ACCT 2301 is a 'core course' in business. This means all undergraduate students must demonstrate sufficient knowledge of ACCT 2301 course material in order to receive a business degree from Texas Tech.

Why does every business major need sufficient knowledge of this course?

As the ACCT 2301 course coordinator during the past six years, I've thought a lot about this question. Effectively, the course catalogue provides an answer: ACCT 2301 focuses on "what comes next" or "what can be expected to happen" in business organizations. Clearly, projecting the future is important to all business people.

Certainly, projecting future events requires subjective judgment, an understanding of uncertainty, an understanding of economic forces, etc. One contrast between ACCT 2300 and ACCT 2301 is that we deal with subjective forces more regularly in ACCT 2301 ("what will happen next" is more subjective than "what already happened"). One similarity between ACCT 2300 and ACCT 2301 is that we frequently use past business results to project the future. Without prerequisite knowledge of ACCT 2300 (i.e., how the past results were recorded), faulty inferences about future events are inevitable.

Anyway, all business majors need sufficient knowledge of accounting because you will be expected to understand the implications that accounting information has on your organization more so than your work colleagues with backgrounds in engineering, human resources, sales, etc.

As a business graduate, you will also be expected to communicate your understanding of basic accounting information to others in your organization. As such, this course will emphasize and evaluate clear and concise written communication (not typical / possible in a long semester).

While ACCT 2301 is primarily focused on future events, that focus is not exclusive. Like introductory financial accounting, introductory managerial accounting investigates performance evaluation. Someone (or a group of people) perform, and accounting information is often used to evaluate the performance. In this regard, ACCT 2301 is 'more detailed' than ACCT 2300. Also related, managerial accounting information is often said to be 'decision influencing'. To the extent workers understand how they will be evaluated, they will typically change their behavior accordingly. As such, there is a relationship between the performance evaluation aspect of managerial accounting and the future-oriented aspect of managerial accounting.

Topics

Throughout the semester, we will explicitly discuss similarities and differences between financial and managerial accounting. We will also highlight the relationship between accounting information and non-accounting business disciplines.

Our discussion should affect your thoughts about basic planning (e.g., cost volume profit and operational budgeting). Clearly, the ability to forecast future events affects all businesspeople, but we'll make an explicit tie to marketing. At a more detailed planning level, understanding the data limitations of product costing (e.g., job & process costing, activity-based costing) is critical – and this discussion offers a tie to ISQS. These topics relate to performance evaluation (e.g., standard costing & variance analysis, common performance evaluation metrics), which has a clear tie to management. All of the preceding topics touch on the difference between accounting profit and cash flow (e.g., relevant costs). We will also introduce long-term planning via capital investment (an introduction to finance). Relatively short write-ups for each topic will be posted on the internet.

This course vs. typical long-semester sections of ACCT 2301

As mentioned previously, it has been my privilege and responsibility to coordinate this course over the past six years. Like the accounting faculties at most major universities, the accounting faculty at Texas Tech has decided this course should be 'coordinated'. This means that during each semester, all sections of ACCT 2301 offer as consistent an educational experience as possible. There are pros and cons to course coordination. Like most of my colleagues, I favor coordination at the introductory course level...largely because, for budgetary reasons, we rely on a host of experienced and inexperienced instructors during the typical long semester.

Given that only one section of ACCT 2301 exists during SU1, coordination is a mute point. Although we will cover the same topics traditionally covered in ACCT 2301 (see above), the delivery mechanism and evaluation process will be markedly different. Specifically, we will emphasize (1) the subjective nature of projecting future events and (2) your ability to communicate logical thoughts about those projections much more so than during a traditional long semester section of this course. In addition, we will minimize the amount of class time devoted to mechanical problem solving (i.e., problems that you should be more than able to learn on your own time or with your group outside of class time).

My expectation is to fully utilize the standard guidance that each student should spend two hours out of class for each hour spent in class. Based on past averages, this means you will spend more time on this class than is typically spent by students during a long semester of ACCT 2301. I will also spend more time on this class (primarily evaluating your written communication). I will not be a personal tutor to anyone who is unable to mechanically solve basic managerial accounting problems. You are expected to first use your group members for basic help with mechanics. If your group is unable to comprehend mechanical problems, I will be available to meet with the entire group for assistance.

I imagine many students will enjoy this course more than the 'traditional' long semester version of ACCT 2301. If, after reading the preceding discussion, you desire the typical mechanics-focused long semester version of this course, please be mindful of the University's add / drop date for SU1.

Sincerely,

Steve Buchheit
Rawls Professor of Business