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**SUPPLEMENTS AVAILABLE FOR THE 15TH EDITION**

A complete package of supplements is available to assist students and instructors in using Hogren, *Cost Accounting*, 15th edition.

**MyAccountingLab**

MyAccountingLab is an online homework and assessment tool designed to help students practice cost accounting problems and concepts and to give their instructors feedback on student performance. It lets cost accounting professors assign a homework deliverable that is automatically graded but that also serves as a tutorial experience for students.

Based on Pearson’s MathXL platform, which has graded millions of assignments, MyAccountingLab provides a strong, reliable platform with a rock solid performance history. To learn more, visit **www.myaccountinglab.com**.

**For Instructors**

**Instructor Resource Center (IRC)**

These password-protected resources are accessible from **www.pearsonhighered.com** for *Cost Accounting*, 15th ed. Resources include the following:

* Solutions Manual
* Test Bank in Word and in TestGen, including algorithmic questions
* Instructor’s Manual
* PowerPoint Presentations
* Image Library

**Instructor’s Manual**

By Sandra J. Cereola

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The chapter-by-chapter manual offers helpful classroom suggestions and teaching tips.

**Test Item File**

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This collection of tests for each chapter offers an array of questions ranging from easy to difficult. An electronic version of these questions is also available. The *Test Item File* now supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation.

**Solutions Manual**

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This manual contains the fully worked-out and accuracy-checked solutions for every question, exercise, and problem in the text.

**PowerPoint Presentations**

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These chapter-by-chapter presentations provide you with a slide show ready for classroom use. Use the slides as they are or edit them to meet your classroom needs.

**For Students**

In addition to this textbook and MyAccountingLab, a companion Web site is available for

students at www.pearsonhighered.com/horngren.

**ALTERNATIVE SUGGESTED CHAPTER SEQUENCES**

The Preface to *Cost Accounting* noted that our aim in organizing the material was to present a modular, flexible organization that permits a course to be custom tailored. This section presents six possible sequences for a first course in cost accounting. For each of these six sequences, we also present the sequence of a second course that would result in coverage of many or all of the topics in *Cost Accounting*. Outlines I–V all include Chapters 1 to 9 in varying orders of sequence. Outline VI has a strong (almost exclusive) focus on the decision making role of cost accounting.

We analyzed the sequences of chapters assigned by many users of the 14th edition. Although many instructors tended to follow the sequence in the text, other instructors tailored sequences to fit their particular desires. These tailored sequences varied considerably. By far the most popular departure was to assign the chapter on process costing (Chapter 17) immediately after the coverage of job costing (Chapter 4) and activity-based costing (Chapter 5). The next most popular departure was to assign Chapter 10 after Chapter 2 or 3. All the accompanying alternative assignment schedules have an optional provision to facilitate tailoring a course. Obviously, instructors should alter any suggested sequence to suit their preferences.

OUTLINE I: This basic course provides a balance of topics between the major purposes of cost accounting:

 1. Calculating the cost of products, services, and other cost objects

 2. Obtaining information for planning and control and performance evaluation

 3. Analyzing relevant information for making decisions

Finishing the first course with Chapters 11 and 13 means that topics with less procedural emphasis are highlighted in the last weeks of the course; these two chapters also introduce topics covered in more detail in a second course. Some instructors may assign Chapter 10 without using the Appendix on “Regression Analysis,” preferring to delay use of the Appendix until the second course (especially if many students have not been exposed to regression analysis at the time of the basic course).

OUTLINE II: This basic course covers the same chapters as Outline I but assigns Chapter 10 (Determining How Costs Behaves) immediately after Chapter 3 (Cost Volume-Profit Analysis). It also assigns Chapter 12 on Strategy, Balanced Scorecard, and Strategic Profitability Analysis. This first part of the second course emphasizes cost management and performance evaluation before covering the six chapters (14–20) on cost allocation and other aspects of costing systems.

OUTLINE III: After covering Chapters 1 to 9 and 11 in the basic course, this sequence finishes with a chapter on strategic issues (Chapter 12) and two chapters on cost allocation topics (Chapters 14 and 15). Some instructors view it as important that students who take only one cost accounting course become aware of how pervasive cost allocation issues are in practice.

OUTLINE IV: This basic course is similar to Outline II with one key exception: Chapter 17 (Process Costing) is covered immediately after Chapter 5. Many instructors prefer to cover job costing and process costing in sequence so that their differences are highlighted.

OUTLINE V: This basic course emphasizes technical cost accounting topics more than the other five outlines. Chapters 17 and 18 extend Chapters 4 and 5; covering 4, 5, 17, and 18 as a single section of the course provides students with a solid understanding of product costing alternatives.

OUTLINE VI: This basic course is adopted by instructors who wish to put most emphasis on the decision making and performance evaluation aspects of cost accounting. Finishing the basic course with Chapters 22 and 23 means that behavioral issues are highlighted in the final weeks of the course.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **OUTLINE I** | **OUTLINE II** | **OUTLINE III** |
| BASIC COURSE | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** |
|  |  1 | (1) |  1 | (1) |  1 | (1) |
|  |  2 | (2) |  2 | (2) |  2 | (2) |
|  |  3 | (2) |  3 | (2) |  3 | (2) |
|  |  4 | (3) | 10 | (2) |  4 | (3) |
|  |  5 | (3) |  4 | (3) |  5 | (3) |
|  |  6 | (2) |  5 | (3) |  6 | (2) |
|  |  7 | (2) |  6 | (2) |  7 | (2) |
|  |  8 | (2) |  7 | (2) |  8 | (2) |
|  |  9 | (2) |  8 | (2) |  9 | (2) |
|  | 10 | (2) |  9 | (2) | 11 | (2) |
|  | 11 | (2) | 11 | (2) | 12 | (2) |
|  | 13 | (2) | 12 | (2) | 14 | (2) |
|  |  |  | 13 | (2) | 15 | (2) |
|  | Tests | (3) | Tests | (3) | Tests | (3) |
|  | Optional | (4) | Optional | (2) | Optional | (2) |
|  |  | 32 |  | 32 |  | 32 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SECONDCOURSE | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** |
|  | 12 | (3) | 21 | (3) | 10 | (2) |
|  | 14 | (2) | 22 | (2) | 13 | (2) |
|  | 15 | (2) | 23 | (2) | 21 | (3) |
|  | 16 | (2) | 14 | (3) | 15 | (2) |
|  | 17 | (2) | 15 | (2) | 17 | (3) |
|  | 18 | (2) | 16 | (2) | 18 | (2) |
|  | 19 | (2) | 17 | (3) | 19 | (2) |
|  | 20 | (2) | 18 | (2) | 20 | (3) |
|  | 21 | (2) | 19 | (2) | 22 | (2) |
|  | 22 | (2) | 20 | (2) | 23 | (2) |
|  | 23 | (2) |  |  |  |  |
|  | Tests | (3) | Tests | (3) | Tests | (3) |
|  | Optional | (6) | Optional | (6) | Optional | (6) |
|  |  | 32 |  | 32 |  | 32 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **OUTLINE IV** | **OUTLINE V** | **OUTLINE VI** |
| BASIC COURSE | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** |
|  |  1 | (1) |  1 | (1) |  1 | (1) |
|  |  2 | (2) |  2 | (2) |  2 | (2) |
|  |  3 | (2) |  3 | (2) |  3 | (2) |
|  | 10 | (2) |  4 | (3) | 10 | (2) |
|  |  4 | (2) |  5 | (3) |  4 | (2) |
|  |  5 | (2) | 17 | (3) |  5 | (2) |
|  | 17 | (2) | 18 | (2) |  6 | (2) |
|  |  6 | (2) |  6 | (3) | 11 | (2) |
|  |  7 | (2) |  7 | (2) | 12 | (2) |
|  |  8 | (2) |  8 | (2) | 13 | (3) |
|  |  9 | (2) |  9 | (2) | 22 | (2) |
|  | 11 | (2) |  |  | 23 | (2) |
|  | 13 | (2) |  |  |  |  |
|  | Tests | (3) | Tests | (3) | Tests | (3) |
|  | Optional | (4) | Optional | (4) | Optional | (5) |
|  |  | 32 |  | 32 |  | 32 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SECONDCOURSE | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** | **Chapter** | **Number of Sessions** |
|  | 12 | (3) | 10 | (2) |  7 | (2) |
|  | 21 | (3) | 11 | (2) |  8 | (2) |
|  | 22 | (2) | 12 | (2) |  9 | (2) |
|  | 23 | (2) | 13 | (3) | 17 | (3) |
|  | 14 | (3) | 21 | (3) | 18 | (2) |
|  | 15 | (2) | 14 | (2) | 19 | (2) |
|  | 16 | (2) | 15 | (2) | 20 | (2) |
|  | 18 | (2) | 16 | (2) | 21 | (3) |
|  | 19 | (2) | 19 | (2) | 14 | (2) |
|  | 20 | (2) | 20 | (2) | 15 | (2) |
|  |  |  | 22 | (2) | 16 | (2) |
|  |  |  | 23 | (2) |  |  |
|  | Tests | (3) | Tests | (3) | Tests | (3) |
|  | Optional | (6) | Optional | (3) | Optional | (5) |
|  |  | 32 |  | 32 |  | 32 |

**CATEGORIZATION OF ASSIGNMENT MATERIAL**

The assignment material in the 15th edition has been developed to offer instructors a broad range of options in developing a challenging and interesting course. The following exhibits assist instructors in selecting assignment material.

Exhibits P-l and P-2 show assignment material that is based on service or nonprofit and on merchandising (retail, wholesale, or distribution) sectors of the economy. Although many of the assignments in the 15th edition are based in the manufacturing sector, Exhibits P-l and P-2 provide many examples for instructors who wish to either select assignment material from a broad range of sectors or intend to concentrate on sectors outside manufacturing.

1. SERVICE AND NONPROFIT SECTORS: These assignments include settings such as accounting firms, law firms, advertising agencies, bank and finance companies, lodging companies, transportation companies, and government agencies

2. MERCHANDISING SECTORS: These assignments include settings such as distributors, wholesalers, and retailers

There is growing demand from instructors for assignment material in three specific areas—ethics, global or international, and modern cost management. Exhibits P-3 to P-5 show assignment material in the 15th edition on these three topics.

3. ETHICS. The second-to-last problem of many chapters incorporates an ethical issue facing a management accountant or a manager. Examples include pressure for cooking the books, concealing unfavorable information, and conflicts of interest between management incentives and company values. Many of these problems require students to consider the IMA Statement of Ethical Professional Practice on p.18 of the text.

4. GLOBAL AND INTERNATIONAL DIMENSIONS. These assignments include material based outside the United States or problems pertaining to companies with operations in more than one country.

5. MODERN COST MANAGEMENT FRONTIER IDEAS. These assignments include material that an instructor can use to highlight areas such as customer focus, key success factors, balanced scorecard, value-chain analysis, strategic analysis of operating income, JIT, and continuous improvement. Assignment material related to activity-based costing (ABC), activity-based management (ABM), and cost drivers is found in many chapters.

**EXHIBIT P-1**

**ASSIGNMENT MATERIAL FROM SERVICE AND NOT-FOR-PROFIT SECTORS**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Number** | **Context** |
| 1 | 1-18 | Fast-food restaurants; value chain, cost classification |
|  | 1-20 | Construction services; key success factors  |
|  | 1-24 | House-painting service; five-step decision-making process |
|  | 1-27 | Internet company; planning and control |
|  | 1-35 | Publishing company; ethics; end-of-year actions |
|  | 1-36 | Shipping company; ethical challenges |
|  |  |  |
| 2 | 2-18 | Marketing research; classification of costs |
|  | 2-21 | Phone contract; fixed and variable costs |
|  | 2-26 | Food and music service; total costs and unit costs |
|  |  |  |
| 3 | 3-18 | Travel agency; CVP analysis |
|  | 3-22 | Restaurant; CVP analysis |
|  | 3-29 | Music Society; CVP analysis |
|  | 3-33 | Tourism; CVP analysis |
|  | 3-34 | Daycare; CVP analysis, target operating income |
|  | 3-35 | Tax preparer; CVP analysis, margin of safety |
|  | 3-40 | Printing company; breakeven; alternative cost structures, uncertainty, sensitivity |
|  | 3-47 | Museum of art; gross margin, contribution margin |
|  |  |  |
| 4 | 4-18 | Residential construction; job costing, normal, actual |
|  | 4-21 | Consulting firm, job costing |
|  | 4-24 | University press; job costing, journal entries |
|  | 4-28 | Canadian accounting firm; actual, normal and variation from normal costing |
|  | 4-29 | Web-design firm; actual, normal, and variation from normal costing |
|  | 4-32 | Law firm; job costing |
|  | 4-33 | Law firm; job costing |
|  | 4-39 | Printing; allocation and proration of overhead |
|  | 4-41 | Music contracting agency; job costing |
|  |  |  |
| 5 | 5-17 | Testing labs; activity-based costing, cost hierarchy |
|  | 5-18 | Professional services firm; alternative allocation bases |
|  | 5-22 | Architectural firm; department costing based on activities |
|  | 5-23 | Printing company; activity-based costing |
|  | 5-28 | Custom framing; activity-based costing |
|  | 5-29 | Banking; activity-based costing, product costing, cross-subsidization |
|  | 5-30 | Law firm; job costing, single direct- and indirect-cost categories |
|  | 5-31 | Law firm; job costing, multiple direct- and single indirect-cost categories |
|  | 5-32 | Law firm; job costing, multiple direct- and indirect-cost categories |
|  | 5-34 | Lawn care, landscaping; first-stage allocation, ABC |
|  | 5-35 | Radiology center; department, activity-cost rates |
|  | 5-38 | Health care; activity-based costing system |

| **EXHIBIT P-1 (Continued)** |
| --- |
| **Chapter** | **Number** | **Context** |
| 6 | 6-16 | Environmental testing; sales budget |
|  | 6-23 | Window-washing; budgeted cost of jobs |
|  | 6-28 | Tour company; responsibility accounting, stretch targets |
|  | 6-34 | Restaurant; purchasing agent responsibility accounting |
|  | 6-42 | Hair salon; human aspects of budgeting |
|  |  |  |
| 7 | 7-287-31 | Student loan financing; static and flexible budgetsCar detailing; variance analysis |
|  |  |  |
| 8 | 8-248-258-27 | Food delivery service; overhead variancesAircraft maintenance; total overhead, 3-variance analysisBack office services; overhead variances |
|  | 8-37 | Publishing company; activity-based costing |
|  | 8-408-41 | Pet food inspection; non-financial variancesCloud services provider; overhead variances |
|  |  |  |
| 9 | 9-30 | Printing press; metrics to minimize inventory buildups |
|  | 9-39 | Hospital chain; cost allocation, downward demand spiral |
|  | 9-40 | Hospital chain; cost allocation, responsibility accounting, ethics |
|  |  |  |
| 10 | 10-17 | Car rental contracts; variable-, fixed- and mixed-cost functions |
|  | 10-22 | Travel services; estimating a cost function, high-low method |
|  | 10-23 | Customer-service costs; estimating a cost function, high-low method |
|  | 10-24 | Consulting services; linear cost approximation |
|  | 10-26 | Catering company; regression analysis |
|  | 10-31 | Produce club; high-low method, regression analysis |
|  | 10-32 | Restaurant; sales and advertising, high-low method, regression analysis |
|  | 10-34 | Agricultural transportation; interpreting regression analysis |
|  | 10-37 | Nonprofit hospital; regression, choosing among models |
|  | 10-38 | Nonprofit hospital; multiple regression |
|  |  |  |
| 11 | 11-24 | Hospital; relevant costs, decision on closing surgery centers |
|  | 11-26 | Printing press; choosing customers |
|  | 11-27 | Pizza restaurant; relevance of equipment costs |
|  | 11-33 | Limousine service; opportunity costs, relevant costs |
|  | 11-42 | Fishing tours; dropping and adding tours |
|  |  |  |
| 12 | 12-26 | Consulting firm; strategy, balanced scorecard |
|  | 12-27 | Consulting firm; strategic analysis of operating income |
|  | 12-28 | Consulting firm; analysis of growth, price-recovery, and productivity components |
|  | 12-29 | Consulting firm; identifying and managing unused capacity |
|  | 12-38 | Cable and internet services; balanced scorecard, social performance |
|  | 12-39 | Airline; balanced scorecard, environmental and social performance |
| 13 | 13-16 | Tool repair shop; value-added, nonvalue-added costs |
|  | 13-17 | Architects; target operating income, value-added costs |
|  | 13-20 | Energy audits; target costs, effect of process-design changes on service costs |
|  | 13-21 | Hotel management; cost-plus target return on investment pricing |
|  | 13-24 | Hotel; price discrimination |
|  | 13-27 | Amusement park; value-engineering, target costing, ABC |
|  | 13-29 | Repair services; cost-plus, time and materials, ethics |
|  | 13-30 | Temp labor agency; cost-plus and market-based pricing |
|  | 13-31 | Testing labs; cost-plus and market-based pricing |
|  | 13-32 | Industrial site cleanup; life-cycle costing |
|  | 13-33 | Airline; price discrimination |
|  | 13-34 | Airline; anti-trust laws, pricing |
|  | 13-35 | Interior decoration; preparing a bid, pricing, ethics |
|  |  |  |
| 14 | 14-16 | Hospitals; cost allocation |
|  | 14-18 | Repair service; customer profitability |
|  | 14-21 | Hotel; cost allocation to divisions |
|  | 14-23 | Sports team; variance analysis, multiple products |
|  | 14-31 | Interior design; customer-cost hierarchy and profitability analysis |
|  |  |  |
| 15 | 15-19 | Management consulting; direct and step-down support department cost allocation |
|  | 15-20 | Management consulting; reciprocal method support department cost allocation |
|  | 15-23 | Allocation of common living costs |
|  | 15-24 | Consulting services; allocation of common travel costs |
|  | 15-29 | University; fixed cost allocation |
|  | 15-35 | Hotel; revenue allocation, bundled products |
|  | 15-36 | Organized tours; direct, step-down, reciprocal support department allocation |
|  |  |  |
| 17 | 17-38 | Publishing company; transferred-in costs, weighted-average method |
|  | 17-39 | Publishing company; transferred-in costs, FIFO method |
|  |  |  |
| 19 | 19-21 | Conference center; quality improvement, relevant costs and revenues |
|  | 19-23 | University; waiting time |
|  | 19-24 | University; waiting time, relevant costs, student satisfaction |
|  | 19-28 | Pizza delivery; quality improvement, Pareto diagram, cause-and-effect diagram |
|  | 19-34 | Healthcare group; waiting time, patient satisfaction, compensation |
|  |  |  |
| 20 | 20-31 | Deli sandwich shop; supplier evaluation, costs of quality, timely deliveries |
|  |  |  |
| 21 | 21-18 | Hospital; capital budgeting methods, no income taxes |
|  | 21-19 | Hospital; capital budgeting methods, income taxes |
|  | 21-2221-33 | Construction company; payback and NPV methods, no income taxesLaundromat; payback methods, even and uneven cash flows |
|  | 21-24 | Bakery; new equipment purchase, income taxes |
|  | 21-35 | Entertainment center; recognizing cash flows for capital investment projects |
|  |  |  |
| 22 | 22-16 | Theme parks; management control systems, balanced scorecard |
|  |  |  |
| 23 | 23-1723-2023-23 | Educational services; DuPont methodReinsurance and financial services; ROI, RI, EVAVenture capital; Capital budgeting, RI |
|  | 23-29 | Restaurants; ROI, measurement alternatives for performance measures |
|  | 23-31 | Media group; ROI, RI, DuPont method, investment decisions, balanced scorecard |
|  | 23-32 | Media group; division managers' compensation, levers of control |
|  | 23-33 | Bank; executive compensation, balanced scorecard |
|  | 23-37 | Health spas; RI, EVA, measurement alternatives, goal congruence |

**EXHIBIT P-2**

**ASSIGNMENT MATERIAL FROM MERCHANDISING SECTORS**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Number** | **Context** |
| 2 | 2-19 | Entertainment store; classification of costs |
|  | 2-29 | Department store; cost of goods purchased, cost of goods sold, and income statement |
|  | 2-30 | Retail outlet store; cost of goods sold and income statement |
|  |  |  |
| 3 | 3-19 | Doughnut retailing; CVP |
|  | 3-21 | Car dealer; CVP analysis |
|  | 3-23 | Jeans wholesaler; CVP and sensitivity analysis |
|  | 3-25 | Rug dealer; space rental terms, operating leverage |
|  | 3-30 | Men’s clothing retailer; contribution margin, decision making |
|  | 3-38 | Shoe store; sales commissions, CVP analysis |
|  | 3-39 | Shoe store; sales commissions, CVP analysis |
|  | 3-41 | Sunglasses store; CVP, alternative cost structures |
|  | 3-46 | Luggage carrier retailer; sales mix, CVP analysis |
|  |  |  |
| 5 | 5-25 | Supermarket; ABC, product-line profitability |
|  | 5-26 | Furniture wholesaler; ABC, customer profitability |
|  | 5-36 | Pharmaceuticals distributor; ABC |
|  | 5-42 | Bookstore; activity-based costing and management |
|  |  |  |
| 6 | 6-25 | Convenience store chain; activity-based budgeting |
|  | 6-26 | Convenience store chain; activity-based budgeting, kaizen budgeting |
|  | 6-29 | Video game distributor; cash flow analysis |
|  | 6-39 | Wholesaler; cash budgeting |
|  |  |  |
| 10 | 10-20 | Coffee shop; account analysis method, high-low method |
|  | 10-41 | Clothing store; matching time periods, regression, ethics |
|  | 10-42 | Department store chain; cost drivers, ABC, simple regression analysis  |
|  | 10-43 | Department store chain; cost drivers, ABC, multiple regression analysis |
|  |  |  |
| 11 | 11-22 | Food store; relevant costs, contribution margin, product emphasis |
|  | 11-25 | Convenience stores; relevant costs, closing and opening stores |
|  |  |  |
| 12 | 12-18 | T-shirts distributor; strategy, balanced scorecard |
|  | 12-19 | T-shirts distributor; strategic analysis of operating income |
|  | 12-20 | T-shirts distributor; analysis of growth, price-recovery,  |
|  |  | and productivity components |
|  | 12-21 | T-shirts distributor; identifying and managing unused capacity |
|  |  |  |
| 13 | 13-18 | Distributor; target prices, target costs, ABC |

| **EXHIBIT P-2 (Continued)** |
| --- |
| **Chapter** | **Number** | **Context** |
| 14 | 14-17 | Environmental products distributor; customer profitability, customer-cost hierarchy |
|  | 14-19 | Pharmaceutical distributor; customer profitability |
|  | 14-24 | Wine glass retailer; variance analysis, multiple products |
|  | 14-29 | Paper distributor; customer profitability |
|  | 14-38 | Gelato stores; variance analysis, multiple products |
|  |  |  |
| 15 | 15-21 | Online book retailer; direct and step-down support department cost allocation |
|  | 15-22 | Online book retailer; reciprocal method support department cost allocation |
|  | 15-25 | Fragrance retailer; revenue allocation |
|  | 15-26 | Auto sales; allocation of common costs |
|  | 15-27 | Department store; single-rate, dual-rate and practical capacity allocation |
|  |  |  |
| 20 | 20-16 | Sporting goods retailer; EOQ |
|  | 20-17 | Sporting goods retailer; EOQ, effect of parameter changes |
|  | 20-18 | Textile retailer; EOQ |
|  | 20-20 | Retailer; sensitivity of EOQ to changes in relevant ordering and carrying costs, cost of prediction error  |
|  | 20-28 | Online computer retailer; EOQ, performance evaluation |
|  |  |  |
| 21 | 21-17 | Hardware stores; capital budgeting methods, no income taxes |
|  | 21-26 | Retail outlets; project choice, taxes |
|  | 21-36 | Food retailer; NPV, inflation, income taxes |
|  | 21-37 | Construction and mining site supplier; NPV of information system, income taxes |
|  |  |  |
| 22 | 22-18 | Supermarket chain; benefits and costs of decentralization |
|  |  |  |
| 23 | 23-22 | Automobile retailer; ROI, RI, EVA |
|  | 23-26 | Car battery sales; risk sharing, incentives, benchmarking, multiple tasks |

**EXHIBIT P-3**

**ASSIGNMENT MATERIAL ON ETHICS**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Number** | **Context** |
| 1 | 1-25 | Division performance |
|  | 1-26 | Division performance |
|  | 1-33 | Pharmaceutical company, budgeting |
|  | 1-34 | End-of-year actions |
|  | 1-35 | End-of-year actions |
|  | 1-36 | Global company, end-of-year actions |
|  |  |  |
| 2 | 2-41 | Cost classification |
|  |  |  |
| 3 | 3-48 | Environmental costs, CVP analysis |
|  |  |  |
| 4 | 4-40 | Job costing, contracting, cost reimbursement |
|  |  |  |
| 5 | 5-41 | Electronics; ABC, implementation, ethics |
|  |  |  |
| 6 | 6-41 | Manufacturer; slack, ethics |
|  |  |  |
| 7 | 7-42 | GPS manufacturer; price and efficiency variances, benchmarking, ethics |
|  |  |  |
| 8 | 8-43 | Overhead variances, ethics |
|  |  |  |
| 9 | 9-40 | Hospital chain; cost allocation, responsibility accounting, ethics |
|  |  |  |
| 11 | 11-44 | Dropping a customer, activity-based costing, ethics |
|  |  |  |
| 13 | 13-29 | Repair services; cost-plus, time and materials, ethics |
|  | 13-35 | Interior decoration; preparing a bid, pricing, ethics |
|  |  |  |
| 14 | 14-39 | Writing smaller orders; customer profitability and ethics |
|  |  |  |
| 17 | 17-42 | Rock-crushing plants; benchmarking, ethics |
| 19 | 19-18 | Car seats; costs of quality, ethics |
|  | 19-35 | Auto parts manufacturer; ethics and quality |
|  |  |  |
| 20 | 20-36 | Container manufacturer; JIT production, relevant benefits, relevant costs, ethics |
|  |  |  |
| 22 | 22-34 | Container manufacturer; transfer pricing, goal congruence, ethics |
|  |  |  |
| 23 | 23-36 | Picture frame molding; ethics, levers of control |
|  |  |  |

**EXHIBIT P-4**

**ASSIGNMENT MATERIAL WITH GLOBAL OR INTERNATIONAL SETTING**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Number** | **Context** |
| 1 | 1-36 | Contract bidding, ethical and cultural issues |
|  |  |  |
| 3 | 3-18 | Travel agency, CVP analysis |
|  | 3-26 | International cost structure differences, CVP analysis |
|  |  |  |
| 4 | 4-28 | Canadian accounting firm; actual, normal and variation from normal costing |
|  |  |  |
| 6 | 6-20 | Japanese motorcycle manufacturer; revenues, production and purchases budgets |
|  |  |  |
| 7 | 7-327-40 | Detergent bottling plant in Mexico; possible causes for price and efficiency variancesMemory card manufacturer in Taiwan; direct-cost and selling price variances |
|  |  |  |
| 8 | 8-23 | Telecommunications company; manufacturing overhead, standard-costing system |
| 10 | 10-3410-3910-40 | Agricultural transportation in Canada; interpreting regression resultsSmartphone manufacturing in Korea; cost estimationSmartphone manufacturing in Korea; cost estimation, learning curves |
| 11 | 11-31 | International outsourcing; relevant costs, exchange rates |
|  |  |  |
| 16 | 16-36 | Flash memory chips manufacturer in Korea; joint-cost allocation, process further or sell |
|  |  |  |
| 21 | 21-28 | Clothing manufacturer; selling a plant, income taxes |
|  | 21-2921-31 | Prototype chip manufacturer; equipment replacement, no income taxesFragrance manufacturer; DCF, sensitivity analysis, no income taxes |
|  |  |  |

**EXHIBIT P-4 (Continued)**

|  |  |  |
| --- | --- | --- |
| **Chapte**r | **Number** | **Context** |
| 22 | 22-19 | Canadian lumber company; transfer-pricing methods, goal congruence |
|  | 22-20 | Multinational computer company; transfer pricing, alternative transfer-pricing methods, global income tax minimization |
|  | 22-23 | Telecommunications equipment, global marketing; multinational transfer pricing, global tax minimization |
|  | 22-24 | Telecommunications equipment, global marketing; multinational transfer pricing, goal congruence |
|  | 22-31 | High-end fertilizers; multinational transfer pricing, global tax minimization |
|  | 22-33 | Component manufacturer; international transfer pricing, taxes, goal congruence |
|  |  |  |
| 23 | 23-24 | Manufacturing, U.S. and Norway; multinational performance measurement, ROI, RI |
|  | 23-30 | Multinational firm, U.S., Germany, and New Zealand; differing risk, comparison of profit, ROI, and RI |

**EXHIBIT P-5**

**ASSIGNMENT MATERIAL USING MODERN COST MANAGEMENT FRONTIER IDEAS**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Number** | **Context** |
| 1 | 1-16 | Computer company; value chain, cost classification |
|  | 1-17 | Pharmaceutical company; value chain, cost classification |
|  | 1-18 | Fast food restaurant; value chain, cost classification |
|  | 1-19 | Key success factors |
|  | 1-20 | Key success factors |
|  | 1-28 | Making strategic decisions |
|  | 1-29 | Making strategic decisions |
|  |  |  |
| 2 | 2-24 | Smartphone company; value chain, cost drivers |
|  |  |  |
| 5 | 5-16 | Cost hierarchy at manufacturer |
|  | 5-17 | Testing labs; ABC, cost hierarchy |
|  | 5-19 | Automotive products; plantwide, department, ABC costing |
|  | 5-20 | Trophies and plaques manufacturer; plantwide, department, ABC costing |
|  | 5-21 | Calculator manufacturer; ABC, process costing |
|  | 5-22 | Architectural firms; Department costing based on activities |
|  | 5-23 | Printing company; activity-based costing |
|  | 5-24 | Door manufacturer; activity-based costing |
|  | 5-25 | Supermarket; ABC, product-line profitability |
|  | 5-26 | Furniture wholesaler; ABC, customer profitability |
|  | 5-27 | Food processing; ABC, area cost-driver rates, product cross-subsidization |
|  | 5-28 | Custom framing; activity-based costing |
|  | 5-29 | Banking; ABC, product costing, cross-subsidization |
|  | 5-31 | Law firm; job costing, multiple direct- and single indirect-cost categories |
|  | 5-32 | Law firm; job costing, multiple direct- and indirect-cost categories |
|  | 5-33 | Manufacturer; first-stage allocation, ABC |
|  | 5-34 | Lawn care, landscaping; first-stage allocation, ABC |
|  | 5-35 | Radiology center; department, activity-cost rates |
|  | 5-36 | Pharmaceuticals distributor; ABC |
|  | 5-37 | Bag manufacturer; activity-based costing and management |
|  | 5-38 | Health care; ABC system |
|  | 5-39 | Sports manufacturer; unused capacity, activity-based costing and management |
|  | 5-40 | Boat manufacturer; ABC |
|  | 5-41 | Electronics; ABC, implementation, ethics |
|  | 5-42 | Bookstore; activity-based costing and management |
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| **EXHIBIT P-5 (Continued)** |
| **Chapter** | **Number** | **Context** |
| 6 | 6-25 | Convenience store chain; activity-based budgeting |
|  | 6-25 | Convenience store chain; activity-based budgeting, kaizen budgeting |
|  | 6-28 | Tour company; responsibility accounting, stretch targets |
|  | 6-31 | T-shirt manufacturer; kaizen approach |
|  | 6-34 | Purchasing agent; responsibility accounting |
|  | 6-35 | Luggage manufacturer; activity-based budgeting |
|  | 6-40 | Plastic accessories manufacturer; activity-based budgeting |
|  | 6-43 | Footwear manufacturer; activity-based budgeting |
|  |  |  |
| 7 | 7-23 | T-shirt manufacturer; continuous improvement |
|  | 7-277-317-37 | Plastic container manufacturer; benchmarking against competitorsSunglass frame/lens manufacturer; responsibility issuesShawl manufacturer; variances, custom production, just-in-time inventory |
|  | 7-38 | Eyeglass lens manufacturer; use of variances for benchmarking |
|  | 7-42 | GPS manufacturer; variances, benchmarking, ethics |
|  | 7-42 | Electronics manufacturer; variances, standards, negotiations |
|  |  |  |
| 8 | 8-268-358-36 | Jewelry maker; relationship between production-volume and sales-volume variance analysisShoe manufacturer; activity-based costing, batch-level variance analysisRecycled plastic shopping bag maker; relationship between overhead and sales-volume variance analysis |
|  | 8-37 | Publishing company; activity-based costing, batch-level variance analysis |
|  |  |  |
| 9 | 9-17 | Auto company; throughput costing |
|  | 9-19 | Electronics manufacturer; throughput costing |
|  | 9-24 | Capacity management, denominator-level capacity concepts |
|  | 9-25 | Motorcycle manufacturer; alternative denominator-level capacities |
|  | 9-30 | Textbook publisher; metrics to minimize inventory buildups |
|  | 9-33 | Denominator-level choices, changes in inventory levels, effect on operating income |
|  | 9-35 | Optical reader manufacturer; downward demand spiral |
|  | 9-39 | Hospital meal service; cost allocation, downward demand spiral |
|  | 9-409-41 | Hospital meal service; cost allocation, responsibility accounting, ethicsElectric car company; absorption, variable, and throughput costing |
|  |  |  |
| 10 | 10-33 | Manufacturing; cost drivers, ABC, simple regression analysis |
|  | 10-39 | Manufacturing; cost estimation |
|  | 10-40 | Manufacturing; cost estimation, learning curves |
|  | 10-42 | Department store chain; cost drivers, ABC, simple regression analysis |
|  | 10-43 | Department store chain; cost drivers, ABC, multiple regression analysis |
|  |  |  |
|  |  |  |
| **Exhibit P-5 (Continued)** |  |  |
| **Chapter** | **Number** | **Context** |
| 11 | 11-19 | Special order, activity-based costing |
|  | 11-20 | Make versus buy, activity-based costing |
|  | 11-24 | Filing cabinets; theory of constraints, throughput margin |
|  | 11-26 | Printers; customer profitability analysis |
|  | 11-36 | Manufacturing; ABC, make versus buy |
|  | 11-39 | Electronic testing equipment manufacturer; theory of constraints, throughput margin |
|  | 11-40 | Toy manufacturer; theory of constraints, sensitivity analysis |
|  | 11-41 | Customer profitability, activity-based costing, ethics |
|  |  |  |
| 12 | 12-16 | Balanced scorecard |
|  | 12-17 | Analysis of growth, price-recovery and productivity components |
|  | 12-18 | Merchandising; strategy, balanced scorecard |
|  | 12-19 | Merchandising; strategic analysis of operating income |
|  | 12-20 | Merchandising; analysis of growth, price-recovery, and productivity components |
|  | 12-21 | Merchandising; identifying and managing unused capacity |
|  | 12-22 | Manufacturing; strategy, balanced scorecard |
|  | 12-23 | Manufacturing; strategic analysis of operating income |
|  | 12-24 | Manufacturing; analysis of growth, price-recovery and productivity components |
|  | 12-25 | Manufacturing; identifying and managing unused capacity |
|  | 12-26 | Consulting firm; strategy, balanced scorecard |
|  | 12-27 | Consulting firm; strategic analysis of operating income |
|  | 12-28 | Consulting firm; analysis of growth, price-recovery, and productivity components |
|  | 12-29 | Consulting firm; identifying and managing unused capacity |
|  | 12-30 | Manufacturing; strategy, balanced scorecard |
|  | 12-31 | Manufacturing; strategic analysis of operating income |
|  | 12-32 | Manufacturing; analysis of growth, price-recovery, and productivity components |
|  | 12-33 | Manufacturing; identifying and managing unused capacity |
|  | 12-34 | Balanced scorecard |
|  | 12-35 | Petroleum company; balanced scorecard |
|  | 12-36 | Laser printers; balanced scorecard |
|  | 12-37 | Chocolate manufacturer; balanced scorecard, environmental and social performance |
|  | 12-38 | Cable and internet services; balanced scorecard, social performance |
|  | 12-39 | Airline; balanced scorecard, environmental and social performance |
|  | 12-40 | Manufacturing; partial productivity measurement |
|  | 12-41 | Manufacturing; total factor productivity  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Exhibit P-5 (Continued)** |  |  |
| **Chapter** | **Number** | **Context** |
| 13 | 13-16 | Tool repair shop; value-added, nonvalue-added costs |
|  | 13-17 | Architects; target operating income, value-added costs |
|  | 13-18 | Distributor; target prices, target costs, ABC |
|  | 13-19 | Medical instruments; target costs, effect of product-design changes on product costs |
|  | 13-20 | Energy audits; target costs, effect of process-design changes on service costs |
|  | 13-21 | Hotel management; cost-plus target return on investment pricing |
|  | 13-22 | Manufacturer; cost-plus, target pricing |
|  | 13-23 | Vacuum manufacturer; life-cycle budgeting and costing |
|  | 13-24 | Hotel; price discrimination |
|  | 13-25 | Manufacturer; target pricing |
|  | 13-26 | Cosmetics manufacturer; value engineering, target pricing, target costing  |
|  | 13-27 | Amusement park; value engineering, target costing, ABC |
|  | 13-28 | Candy manufacturer; target return on investment pricing |
|  | 13-30 | Temp labor agency; cost-plus and market-based pricing |
|  | 13-31 | Testing labs; cost-plus, activity-based costing, market-based pricing |
|  | 13-32 | Industrial site cleanup; life-cycle costing |
|  | 13-33 | Airline; price discrimination |
|  | 13-34 | Airline; anti-trust laws, pricing |
|  | 13-36 | Wood sculpture manufacturing; target prices, target costs, locked-in costs, value engineering |
|  |  |  |
| 14 | 14-17 | Environmental products distributor; customer profitability, customer-cost hierarchy |
|  | 14-18 | Repair service; customer profitability |
|  | 14-19 | Pharmaceutical distributor; customer profitability |
|  | 14-28 | Jewelry manufacturer; customer profitability |
|  | 14-29 | Paper distributor; customer profitability |
|  | 14-30 | Manufacturing company; customer profitability analysis |
|  | 14-31 | Interior design; customer-cost hierarchy, customer profitability |
|  | 14-34 | Metal rod manufacturer; cost-hierarchy income statement, allocation of corporate, division, and channel costs to customers |
|  | 14-35 | Keyboard manufacturer; cost-hierarchy income statement, allocation of corporate, division, and channel costs to customers |
|  | 14-39 | Writing smaller orders; customer-cost hierarchy, profitability and ethics |
|  |  |  |
| 19 | 19-16 | Cell phone equipment; costs of quality |
|  | 19-17 | Car seats; costs of quality |
|  | 19-18 | Car seats; costs-of-quality, ethics |
|  | 19-19 | Cell phone covers; nonfinancial measures of quality and time |
|  | 19-20 | Printing presses; quality improvements, relevant costs and relevant revenues |
| **Exhibit P-5 (Continued)** |  |  |
| **Chapter** | **Number** | **Context** |
|  | 19-21 | Conference center, quality improvement, relevant costs and relevant revenues |
|  | 19-22 | Pet toys; waiting time |
|  | 19-23 | University; waiting time |
|  | 19-24 | University; waiting time, relevant costs, student satisfaction |
|  | 19-25 | Cell phones; nonfinancial measures of quality and time |
|  | 19-26 | Manufacturer; nonfinancial measures of quality, manufacturing cycle efficiency |
|  | 19-27 | Cereal manufacturer; statistical quality control |
|  | 19-28 | Pizza delivery; quality improvement, Pareto diagram, cause-and-effect diagram |
|  | 19-29 | Valve manufacturing; quality improvement, relevant costs, and relevant revenues |
|  | 19-30 | Plastic products; quality improvement, relevant costs, and relevant revenues |
|  | 19-31 | Plastic products; waiting times, manufacturing lead times |
|  | 19-32 | Plastic products; waiting times, relevant revenues, and relevant costs |
|  | 19-33 | Wire harnesses; manufacturing cycle times, relevant revenues, and relevant costs |
|  | 19-34 | Healthcare group; waiting time, patient satisfaction, compensation |
|  | 19-35 | Auto parts manufacturer; quality and ethics |
|  | 19-36 | Textile printing; quality improvement; theory of constraints |
|  |  |  |
| 20 | 20-21 | Hardware company; JIT production, relevant benefits, relevant costs |
|  | 20-22 | Computer assembly; backflush costing and JIT production |
|  | 20-23 | Computer assembly; backflush costing, two trigger points, materials purchase and sale |
|  | 20-24 | Computer assembly; backflush costing, two trigger points, completion of production and sale |
|  | 20-27 | Music players; EOQ, JIT production |
|  | 20-29 | Automotive supplier, JIT purchasing, relevant benefits, relevant cost |
|  | 20-30 | Computer manufacturer; supplier evaluation, costs of quality, timely deliveries |
|  | 20-31 | Deli sandwich shop; supplier evaluation, costs of quality, timely deliveries |
|  | 20-32 | Electrical meters; backflush costing and JIT production |
|  | 20-33 | Electrical meters; backflush, two trigger points, materials purchase and sale |
|  | 20-34 | Electrical meters; backflush, two trigger points, completion of production and sale |
|  | 20-35 | Security devices; lean accounting |
|  | 20-36 | Container manufacturer; JIT production, relevant benefits, relevant costs, ethics. |
|  |  |  |
| **Exhibit P-5 (Continued)** |  |  |
| **Chapter** | **Number** | **Context** |
| 21 | 21-37 | Construction and mining site supplier; NPV of information system, income taxes |
|  |  |  |
| 22 | 22-1622-17 | Theme parks; management control systems, balanced scorecardWindow manufacturing; cost centers, profit centers, decentralization, transfer prices |
|  | 22-18 | Supermarket chain; benefits and costs of decentralization |
|  |  |  |
| 23 | 23-2223-23 | Automotive retailer; ROI, RI, EVAVenture capital; capital budgeting, RI (conservation property) |
|  | 23-24 | Manufacturing, U.S. and Norway; multinational performance measurement, ROI, RI |
|  | 23-25 | Fashion product manufacturer; ROI, RI, EVA, performance evaluation |
|  | 23-26 | Automotive; risk sharing, incentives, benchmarking, multiple tasks |
|  | 23-27 | Doorbell manufacturing; Residual income and EVA, timing issues |
|  | 23-30 | Multinational firm, U.S., Germany, and New Zealand; differing risk, comparison of profit, ROI, and RI |
|  | 23-31 | Media group; ROI, RI, DuPont method, investment decisions, balanced scorecard |
|  | 23-32 | Media group; division managers' compensation, levers of control |
|  | 23-33 | Bank; executive (business unit) compensation, balanced scorecard |
|  | 23-36 | Picture frame molding; levers of control, ethics |
|  | 23-37 | Health spas; RI, EVA, measurement alternatives, goal congruence |
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**PRESENTATION OF SOLUTIONS**

Instructors have a variety of views regarding the use of classroom time for homework solutions. Most instructors put solutions on a blackboard or an overhead projector. In turn, their students frantically copy the materials in their notes. Our practice is to reproduce the printed homework solutions for distribution either before, during, or after the discussion for a particular solution. The members of the class are glad to pay a modest fee to the school to cover the reproduction costs. In this way, students can spend more of their classroom time in thinking rather than writing. Further, they have a complete set of notes.

Some instructors object to this procedure because it provides students with a “file” that can be passed along to subsequent classes. Students in subsequent classes will then use the “file” to avoid conscientious preparation of homework. We used to worry about such practices, but long ago we decided that there would always be some students who hurt themselves by not doing homework in an appropriate way. Why should the vast majority of students be penalized by withholding the printed solutions? The benefits of using printed solutions clearly outweigh the costs. We no longer fret about the few students who beat the system (and themselves).

Similarly, we distribute printed solutions to tests and examinations along with a summary of overall class performance. We do not devote class time to discussing these solutions. The students deserve feedback, but they have sufficient motivation to scrutinize the printed solutions and check their errors on an individual basis. In this way, more class time is available for new material.

If students have complaints about grades, we usually ask them to cool off for 24 hours and to then submit a written analysis of how they were unjustly treated. We then take these complaints in batches, regrade the papers, and return the papers. If the student then wants to have a person-to-­person discussion of the matter, he or she is welcome at our office. This procedure may seem too impersonal, but we recommend it to those teachers who have been through some painful debates that have been inefficient and frustrating for both student and teacher.

**MAJOR CHANGES IN TEXT OF THE 15TH EDITION**

**Deeper Consideration of Global Issues**

Businesses today have no choice but to integrate into an increasingly global ecosystem. Virtually all aspects, including supply chains, product markets, and the market for managerial talent, have become more international in their outlook. To illustrate this, we incorporate global considerations into many of the chapters. For example, Chapter 6 talks about the special challenges of budgeting in multinational companies; Chapter 11 discusses the benefits and the challenges that arise when outsourcing products or services outside the United States, while Chapter 23 discusses the challenges of evaluating the performance of divisions located in different countries. The opener for Chapter 17 highlights the differences in the way process flows are accounted for under U.S. and international accounting rules and the impact of these differences on companies’ margins and after-tax income. Chapter 22 examines the importance of transfer pricing in minimizing the tax burden faced by multinational companies. Several new examples of management accounting applications in companies are drawn from international settings.

**Increased Focus on the Merchandising and Service Sectors**

In keeping with the shifts in the U.S. and world economy, this edition makes greater use of merchandising and service sector examples, with a corresponding de-emphasis of traditional manufacturing settings. For example, Chapter 10 illustrates linear cost functions in the context of payments for cloud computing services. Chapter 20 highlights inventory management in retail organizations and has a revised example based on a seller of sunglasses. Chapter 21 now incorporates a new running example that looks at capital budgeting in the context of a transportation company. Several concepts in action boxes focus on the merchandising and service sectors, including the use of activity-based costing to reduce the costs of health-care delivery (Chapter 5), the structure of SGA costs at Nordstrom (Chapter 2) and an analysis of the operating income performance of Best Buy (Chapter 12).

**Greater Emphasis on Sustainability**

This edition places significant emphasis on sustainability as one of the critical managerial challenges of the coming decades. Many managers are promoting the development and implementation of strategies to achieve long-term financial, social and environmental performance as key imperatives. We highlight this in Chapter 1 and return to the theme in several subsequent chapters. Chapter 12 discusses the benefits to companies from measuring social and environmental performance and how such measures can be incorporated in a balanced scorecard. Chapter 23 provides several examples of companies that mandate disclosures and evaluate managers on environmental and social metrics. A variety of chapters, including chapters 4, 10, and 15, contain vignettes that stress themes of energy independence, using cost analysis to reduce environmental footprints, and constructing “green” homes in a cost-effective manner.

**New Cutting-Edge Topics**

The pace of change in organizations continues to be rapid. The 15th edition of *Cost*

*Accounting* reflects changes occurring in the role of cost accounting in organizations.

* We have introduced sustainability strategies and the methods companies use to implement sustainability with business goals.
* We have added ideas based on academic research regarding the weights to be placed on performance measures in a balanced scorecard.
* We have provided details on the transfer pricing strategies used by multinational technology firms such as Apple and Google to minimize income taxes.
* We discuss current trends in the regulation of executive compensation.
* We describe the evolution of Enterprise Resource Planning systems and newer simplified costing systems that practice lean accounting.
* We discuss the role of accounting concepts and systems in fostering and supporting innovation and entrepreneurial activities in firms.

**Opening Vignettes**

Each chapter opens with a vignette on a real company situation. The vignettes engage the reader in a business situation, or dilemma, illustrating why and how the concepts in the chapter are relevant in business. For example, Chapter 2 describes how Hostess Brands, the maker of Twinkies, was driven into liquidation by the relatively high proportion of fixed costs in its operations. Chapter 4 explains the importance of job costing for “green” homebuilders such as KB Home. Chapter 8 examines Tesla Motors’ understanding of fixed and variable overhead costs for planning and control purposes. Chapter 12 shows how Volkswagen’s Brazilian subsidiary used the balanced scorecard to guide its journey out of the global financial crisis. Chapter 15 shows the impact of two alternative methods of cost allocation considered by the U.S. government for charging customers for the costs of developing “Smart Grids” for power. Chapter 23 describes the historical misalignment between performance measurement and pay at AIG and the recent changes to the compensation plans for its executives.

**Concepts in Action Boxes**

Found in every chapter, these boxes cover real-world cost accounting issues across a variety of industries including automobile racing, defense contracting, entertainment, manufacturing, and retailing. New examples include

* Cost-Volume-Profit Analysis Makes Megabus a Mega-Success (Chapter 3)
* Flexible Budgets at Corning (Chapter 7)
* What Does It Cost AT&T Wireless to Send a Text Message? (Chapter 10)
* Are Charitable Organizations Allocating Joint Costs in a Misleading Way? (Chapter 16)
* Avoiding Performance-Measurement Silos at Staples (Chapter 23)

**Streamlined Presentation**

We continue to try to simplify and streamline our presentation of various topics to make it as easy as possible for a student to learn the concepts, tools, and frameworks introduced in different chapters. A major change in this edition is the reorganization of Chapters 12 and 13. Chapter 13 in the 14th edition, Strategy, Balanced Scorecard, and Strategic Profitability Analysis, has been moved to Chapter 12 and Chapter 12 in the 14th edition, Pricing Decisions and Cost Management, has been moved to Chapter 13. As a result of the switch, Chapter 13 is the first of four chapters on cost allocation. We introduce the purposes of cost allocation in Chapter 13 and discuss cost allocation for long-run product costing and pricing. Continuing the same example, Chapter 14 discusses cost allocation for customer costing. Chapter 15 builds on the Chapter 4 example to discuss cost-allocation for support departments. Chapter 16 discusses joint cost allocation. As a result of the reorganization, we have also made major revisions in the structure and writing of each of these chapters as we discuss in detail in the next section.

Other examples of more streamlined presentations can be found in the following:

* Chapter 2 on the discussion of fundamental cost concepts and the managerial framework for decision making
* Chapter 6, which has a revised Appendix that ties together the chapter example and the cash budget
* Chapter 8, which has a comprehensive chart that lays out all of the variances described in Chapters 7 and 8
* Chapter 9, which uses a single two-period example to illustrate the impact of various inventory costing methods and denominator level choices

**HIGHLIGHTS OF NEW CHAPTER-BY-CHAPTER CHANGES**

**Chapter 1**

Chapter 1 has been rewritten to include greater discussion of sustainability and why this issue has become increasingly critical for managers. It also includes more material on the importance of ethics, values, and behaviors, as well as the role of the Sarbanes-Oxley act in improving the quality of financial reporting.

**Chapter 2**

Chapter 2 has been updated and revised to make it easier for students to understand core cost concepts and to provide a framework for how cost accounting and cost management help managers make decisions.

**Chapter 3**

Chapter 3 now includes greater managerial content, using examples from real companies to illustrate the value of cost-volume-profit analysis in managerial decision making.

**Chapter 4**

Chapter 4 has been revised with the addition of substantial new material to the section discussing end-of-period adjustments for the difference between Manufacturing Overhead Control and Manufacturing Overhead Allocated. The chapter also now discusses criteria for allocating costs and relates them to real examples to highlight why managers need allocated cost information to make decisions.

**Chapter 5**

Chapter 5 has been reorganized with a new section on first-stage allocation to help students understand how costs from the standard accounting classifications (salaries, depreciation, rent, etc.) are allocated to activity-cost pools. The discussion of behavioral considerations in implementing activity-based costing has been moved to a new section and integrated with other material in the chapter. There is also new material on the tradeoffs related to allocating facility-sustaining costs to products or not allocating them at all because these costs do not have good cost drivers.

**Chapter 6**

Chapter 6 has been significantly rewritten with the addition of more managerial content. In addition, the Appendix has been completely reworked to tie together the chapter example and the cash budget.

**Chapters 7 and 8**

In Chapter 7, the appendix on market-share and market-size variances has been replaced with one on mix and yield variances, which provide a natural extension of efficiency variances to settings with substitutable inputs. Chapter 8 now provides a revised comprehensive summary of the variances in both Chapters 7 and 8 using an innovative new exhibit.

**Chapter 9**

Chapter 9 has been simplified substantially by a change in the integrated example from three to two periods. This retains the pedagogical value of the example while making it much easier for students to read and understand. Exhibit 9-4 and the material around it have been simplified further, and the self-study problem has also been revised.

**Chapter 10**

Chapter 10 provides a practical guide to the use of various cost estimation techniques with many illustrative examples. The opening vignette has been revised, and we include a new discussion of the difference between correlation and causation, as well as a more streamlined description of inference and hypothesis testing when using regression analysis.

**Chapter 11**

Chapter 11 has been revised substantially; the material on “Theory of Constraints and Throughput Contribution Margin” from Chapter 19 has now been incorporated into a new section in this chapter. The text and numbers have been rewritten to link with the Power Recreation problem already in Chapter 11 (and the chapter Appendix). The chapter has been made easier for students to follow by replacing paragraphs with tables. Throughout, there is greater emphasis on understanding why relevant costs and revenues are important when making decisions.

**Chapter 12**

The new Chapter 12 (on the balanced scorecard) has been rewritten with a completely new section on using the balanced scorecard to achieve environmental and social goals. This section describes the motivations for companies to focus on sustainability goals (such as the concept of shared value), sustainability strategies, and the methods companies use to implement sustainability with business goals. There is also a new exhibit extending the Chipset balanced scorecard to include environmental and social objectives and measures.

**Chapter 13**

The new Chapter 13 focuses on cost allocation for long-run pricing decisions. The material on short-run costing and pricing from Chapter 12 in the 14th edition has been moved to Chapter 11.

**Chapter 14**

Chapter 14 has been completely rewritten. It continues the same example of Astel Computers from Chapter 13 but switches the context from cost allocation for pricing to cost allocation for customer profitability. The order of presentation, the content, the examples, and the exhibits are all new. The chapter now starts with customer profitability based on customer-level costs and discusses the hierarchical operating income statement. It then motivates why corporate, division, and distribution channel costs need to be allocated and the criteria that can be used to allocate them. The chapter closes with sales variances, and market-share and market-size variances (moved here from Chapter 7). The example is new and builds on the Astel Computers example that is used throughout Chapter 13 and Chapter 14.

**Chapter 15**

Chapter 15 is also heavily revised, with new content, examples, and exhibits. It continues the example of Robinson Company from Chapter 4 but adds more issues around cost allocation—single rate, dual rate, and support-department cost allocations using direct, step-down, and reciprocal methods. Using the same example helps link and integrate normal costing and support department cost allocation.

**Chapter 16**

Chapter 16 now provides an in-depth discussion of the rationale for joint-cost allocation and the merits and demerits of various joint-cost allocation methods. It also uses real-world examples to highlight the preferred method of joint-cost allocation in various settings.

**Chapters 17 and 18**

Chapters 17 and 18 present actual costing with the material on standard costing discussed in the appendix. We have added a discussion of managerial issues when estimating equivalent units and choosing between the FIFO and weighted-average costing methods. Chapter 18 emphasizes the importance of reducing spoilage and scrap and more generally the theme of striving for a sustainable production and service environment.

**Chapter 19**

As a result of moving material on the Theory of Constraints to Chapter 11, Chapter 19 now focuses on quality and time. We use the same Photon example throughout the chapter to discuss both quality and Time-Based Competition. This helps to integrate and streamline the chapter.

**Chapter 20**

Chapter 20 contains revised content and presentation comparing traditional and just-in-time purchasing (and a changed Exhibit 20-5). The sections on supplier evaluation, relevant costs of quality, and timely deliveries have also been rewritten, as well as the material on Enterprise Resource Planning Systems and Lean Accounting.

**Chapter 21**

Chapter 21 has been completely redone with an entirely new example and a set of revised (and clearer) exhibits. The focus has shifted from a manufacturing setting to a transportation firm evaluating the purchase of a new hybrid-engine bus.

**Chapter 22**

Chapter 22 has been significantly revised to reflect the latest developments in the controversial use of transfer prices for tax minimization by multinational corporations and provides several real-world examples. The revision also highlights the costs and benefits of decentralization and the tradeoffs involved in setting a transfer pricing policy.

**Chapter 23**

Chapter 23 includes a description of the use of environmental, social, and ethical objectives by companies as part of top management's pay structures. It discusses the new SEC regulations on disclosure of executive compensation and the Dodd-Frank “say on pay” rules. The chapter also incorporates research findings on the relative weight to be placed on different measures of the balanced scorecard.

**CHANGES IN ASSIGNMENT MATERIAL FOR THE 15TH EDITION**

More than 70% of the exercises and problems in the 15th edition are new or revised. The remaining exercises and problems are taken from the 14th edition. The following exhibits indicate the source of each of the exercises and problems in the 14th edition. These exhibits can be read as follows:

|  |  |
| --- | --- |
|  | Chapter 5 |
|  | 15E  |  | 14E |
|  | ∙ |  | ∙ |
|  | ∙ |  | ∙ |
|  | ∙ |  | ∙ |
| Category (a) | 5-xx |  | New |
| Category (b) | 5-yy |  | 5-yy Rev |
| Category (c) | 5-zz |  | 5-zz |

Category (a) shows that problem 5-xx in the 15th edition is new to this edition.

Category (b) shows that problem 5-yy in the 15th edition is a revision of problem 5-yy in the14th edition; the ‘Rev’ in ‘5-yy Rev’ indicates that the content and numbers from the 14th edition have been revised.

Category (c) shows that problem 5-zz in the 15th edition is problem 5-zz in the 14th edition. The absence of a ‘Rev” after ‘5-zz’ means that no change in the content or numbers has been made in continuing use of this problem in the 15th edition.

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| **Chapter 1** | **Chapter 2** | **Chapter 3** | **Chapter 4** | **Chapter 5** | **Chapter 6** |
| **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** |
| 161718192021222324252627282930313233343536 | 1617 Rev1819 RevNew20New2122 Rev23 RevNew2425 RevNew26New27 Rev28 Rev29 Rev30 Rev31 Rev | 161718192021222324252627282930313233343536373839404142 | 16 1718 Rev19 Rev20 Rev21 New23 Rev2425 RevNew27 28 Rev2930 Rev3132 Rev33 Rev343536 Rev37 Rev38 Rev39 Rev40 Rev41 Rev42 Rev | 16171819202122232425262728293031323334353637383940414243444546474849 | 16 Rev17 18 Rev19 Rev2021 22 RevNew24 Rev25 Rev26 Rev27 RevNew29 Rev30 Rev3132 Rev33 Rev34 RevNew36 Rev37 Rev38 Rev39 Rev40 RevNew42 Rev43 Rev4445 Rev46 47 48 Rev49 | 1617181920212223242526272829303132333435363738394041 | 16 Rev17 18 Rev19 2021 Rev22 RevNew 24 25 Rev26 Rev27 28 RevNew30 31 Rev32 Rev33 Rev3435 RevNew37 Rev38 Rev39 Rev40 RevNew | 161718192021222324252627282930313233343536373839404142 | 16 Rev17 18 1920 Rev21 RevNew22 Rev23 Rev24 Rev25 Rev26 Rev27 Rev28 Rev29 Rev30 Rev31 RevNewNew33 Rev35 36 Rev37 Rev38 RevNew40 Rev41 | 16171819202122232425262728293031323334353637383940414243 | 16 17 Rev18 19 Rev22 Rev20 Rev21 Rev New23 Rev24 Rev25 Rev26 RevNew27 Rev28 Rev29 Rev30 Rev31 Rev32 Rev33 Rev34 Rev35 Rev36 Rev37 Rev38 Rev39 Rev40 Rev41 Rev |

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| **Chapter 7** | **Chapter 8** | **Chapter 9** | **Chapter 10** | **Chapter 11** | **Chapter 12** |
| **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** | **15E** | **14E** |
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| **Chapter 13** | **Chapter 14** | **Chapter 15** | **Chapter 16** | **Chapter 17** | **Chapter 18** |
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| **Chapter 19** | **Chapter 20** | **Chapter 21** | **Chapter 22** | **Chapter 23** |
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