

Author

A

Adamy, J., 237
Anderson, S., 146*n*, 356
Anderson, S. R., 160
Andrews, E., 452
Ansari, S., 440*n*
Areeda, P., 451*n*
Arrington, M., 484
Atkinson, A., 688*n*
Atkinson, A. A., 202*n*, 557*n*
Atkinson, C., 716*n*

B

Baggaley, B., 727*n*
Bailey, C., 361*n*
Banker, R., 478*n*
Baraldi, E., 441
Barkman, A., 451*n*
Barton, T., 356
Bell, J., 440*n*
Berk, J., 812*n*
Biderman, D., 226*n*
Birger, J., 78
Blair, N., 806*n*
Borjesson, S., 194*n*
Boyle, M., 262
Bronisz, P., 558*n*
Brown, S., 680*n*
Brownlee, R., 590
Bruno, A., 2*n*
Bunkley, N., 26*n*
Bustillo, M., 502*n*
Buskirk, E., 717

C

Cagilo, A., 716*n*
Carbone, J., 138*n*
Carter, T., 356
Champy, J., 469*n*
Chartrand, S., 717
Chinnis, C., 774*n*
Clark, P., 676*n*
Clifford, S., 78
Clinton, B., 547*n*
Cokins, G., 146*n*, 511*n*
Cooper, R., 146*n*, 511*n*
Corkery, M., 825
Cox, J., 686*n*
Cuoto, V., 400
Cutcher-Gershenfeld, J., 356

D

Dash, E., 15
Datar, S., 478*n*
Davenport, T. H., 716*n*
Davidson, P., 300*n*
Day, K., 280
Delmar, E., 183*n*
DeMarzo, P., 812*n*

Demski, J., 558*n*
Dillon, D., 108
Ding, D., 738*n*
Dombrowski, R.F., 590*n*

E

Edwards, C., 684
Eikenes, B., 587*n*
Eisenhardt, K., 680*n*
Eldon, E., 484
Elliot, D., 825
Erchr, E., 280
Evans, E., 280

F

Fazard, R., 518
Federowicz, M., 356
Fox, J., 824*n*
Fraser, R., 186*n*, 478*n*

G

Gage, J., 198
Gandel, S., 825
Garling, W., 15
Garrity, J., 15
Garthwaite, J., 542*n*
Gatti, J. F., 586*n*
Giridharadas, A., 432*n*
Goff, J., 198
Goldratt, E., 312*n*, 686*n*
Goldstein, J. L., 451*n*
Gollakota, K., 15*n*
Graham, J., 745*n*
Green, M., 15
Gregory, A., 226*n*
Grinnell, D. J., 586*n*
Grossman, M., 356
Gundersen, E., 62*n*
Gumbus, A., 15
Gupta, V., 15

H

Hacking, A., 576*n*
Halpern, S., 280
Hammer, M., 469*n*
Hansell, S., 319
Harrington, J., 451*n*
Harris, C., 237
Harris, J. K., 519*n*
Harvey, C., 745*n*
Hayzen, A., 478*n*
Hayes, B., 356
Heijmen, T., 400
Holm, E., 806*n*
Hope, J., 186*n*, 478*n*
Horvath, P., 187*n*
Huddart, S., 821*n*
Humphries, S., 717
Huston, L., 400

I

Iqbal, M. X., 819*n*

J

Jaffe, M., 542*n*
Jargon, J., 237
Jolley, J., 451*n*
Jones, C., 390*n*
Jurkus, A., 680*n*

K

Kageyama, Y., 670*n*
Kamenev, M., 627
Kaminska, I., 606*n*
Kaplan, R., 356
Kaplan, R. S., 146*n*, 160, 202*n*, 466*n*,
470*n*, 478*n*, 511*n*, 516*n*, 557*n*
Kaplow, L., 505*n*
Kapner, S., 262
Kaufman, W., 670*n*
Keegan, P., 33
Kesmodel, D., 237
Klammer, T., 320*n*
Knudson, B., 108
Kripalani, M., 432*n*
Kruz, L., 558*n*

L

Lacayo, R., 108
Laimon, S., 646*n*
Lampe, S., 198
Latham, G., 187*n*
Leapman, B., 356
Leber, J., 576*n*
Lewin, A., 400
Linebaugh, K., 670*n*
Loomis, C., 26*n*
Lublin, J., 825
Lunsford, L., 644*n*
Lyons, B., 15

M

Macario, A., 264
MacArthur, J., 356
Mackey, J., 312*n*, 686*n*
Mackie, B., 547*n*
Mani, M., 400
Manning, S., 400
Maragonelli, L., 441
Marshall, P. D., 590*n*
Martinez-Jerez, F. A., 160, 466*n*
Matau, R., 793
Matlack, C., 644*n*
Maynard, M., 670*n*
McGregor, J., 702*n*
McWilliams, G., 502*n*
McMaster, J., 793
Melumad, N., 821*n*
Miller, K., 466*n*
Misawa, M., 758
Moore, J., 86*n*, 416*n*
Moriarity, S., 558*n*
Morris, J., 684

N

Nahmias, S., 416*n*
 Narayanan, V.G., 516*n*
 Neal, M., 33
 Nidumolu, R., 340*n*
 Noblett, J., 98*n*
 Noreen, E., 312*n*, 686*n*
 Norton, D. P., 469*n*
 Novak, J., 793
 Nyrud, A., 587*n*

O

O'Byrne, S., 812*n*
 Olsen, E., 33

P

Paduano, R., 356
 Peckenpaugh, J., 356
 Penny, M., 108
 Peoples, Glenn, 2*n*
 Phillips, M., 825
 Porter, M., 467*n*
 Prahalad, C., 340*n*
 Prem-Ajchariyawong, N., 400
 Pyle, G., 684

R

Rangaswami, M., 340*n*
 Reeve, J., 478*n*
 Reichelstein, S., 821*n*
 Reilly, D., 606*n*
 Riggs, J., 356
 Ross, I., 812*n*
 Ruhli, E., 469*n*
 Russell, J., 400
 Ryan, N., 198

S

Sakkab, N., 400
 Sandberg, K., 469*n*
 Sauter, R., 187*n*
 Savitz, E., 2*n*
 Schmidt, S., 469*n*
 Sebgal, V., 400
 Sedaghat, A., 356
 Seifert, R., 627
 Shafer, J., 778*n*
 Shane, S., 183*n*
 Shavell, S., 505*n*
 Sherman, P., 288
 Sheth, N., 518
 Shiely, J., 812*n*
 Shirouzu, N., 670*n*
 Simons, R., 826*n*
 Smith, D., 312*n*, 686*n*
 Son, H., 806*n*
 Sorkin, A. R., 15
 Springsteel, I., 794*n*
 Stein, J., 812*n*
 Stomsten, T., 441
 Styron, J., 792*n*
 Swenson, L. D., 440*n*

T

Tabuchi, H., 670*n*
 Taylor, A., III, 26*n*
 Terdiman, D., 441
 Tischler, L., 659
 Treichler, C., 469*n*
 Trujillo, T. J., 451*n*

Tunes, T., 587*n*
 Turner, D., 451*n*

V

Vascellaro, J., 484
 Vernon, J., 451*n*
 Viscusi, W., 451*n*
 Vlastic, B., 26*n*

W

Weatherford, L., 86*n*, 416*n*
 Webber, S., 547*n*
 Weisman, J., 825
 West, K., 644*n*
 Wilhelm, S., 644*n*
 Williams, T., 356
 Williamson, R., 84*n*
 Willis, T., 680*n*
 Woepfel, M., 686*n*

Y

Yeaton, S., 738*n*
 Young, D., 812*n*

Company

A

ABB, 778
 Adidas, 433, 626, 627
 Adreea, 717
 Aetna, 36
 AIG, 806–7
 Airbus, 184, 681
 Alaska Airlines, 245
 Alle-Kiski, 681
 All Nippon Airways, 644
 Allstate Insurance, 470
 Amazon.com, 5, 263, 684
 American Airlines, 68, 245, 827
 American Express, 36
 Analog Devices, Inc. (ADI), 362
 AnswerThink Consulting Group, 794
 APL Limited, 560
 Apple, 2, 44, 672, 684, 717
 Apple Computer, 99, 449, 468, 518
 Arrow Electronics, 36
 Arthur Anderson, 14
 Arthur Daniel Midlands, 101
 AT&T, 264, 319, 470, 487, 518, 680
 Auburn University, 541
 Audi, 100, 757
 Autodesk, 717

B

Banca di America e di Italia, 470
 Bank of America, 80, 101, 227
 Bank of China, 682
 Bank of Montreal, 470
 Baptist Healthcare Systems, 234
 Barclays, 36
 Barings PLC, 779
 Barnes & Noble, 5, 36, 466, 757
 BCTel, 159
 Bechtel Corporation, 100
 Berkshire Hathaway, 818
 Best Buy Co., 502–3
 BlackBerry, 684
 BMW, 27–29, 30–32, 33, 34, 37, 80, 405, 740

Boeing Corporation, 101, 184, 341, 344, 356, 449, 644–45

Borealis, 188
 Bose, 346
 BP, 470
 Braintree Hospital, 159
 Braun, 714
 Briggs and Stratton, 813
 British Petroleum, 606, 672
 British Telecom, 671

C

Campbell Soup, 18
 CapitalOne, 818
 CapitalSource, 818
 Casualty Insurance, 474
 Caterpillar Tractor, 826
 Charles Schwab, 157, 160, 356
 Chase Manhattan Bank, 447
 Cigna Insurance, 470, 474
 Circuit City, 702
 Cisco Systems, 340–41, 470, 519, 671
 Citibank, 101, 182
 Citigroup, 35
 Citizens Watch, 203
 Coca-Cola Company, 7, 398, 468, 607, 813
 Colgate-Palmolive, 824
 Comcast, 36, 543
 CompUSA, 101
 Concert Live, 717
 Condé Nast Publishing, 778
 Constellation Energy, 3
 Continental, 245
 The Cooperative Bank, 159, 346, 356
 The Corporate Library, 806
 Costco, 702–3
 Crysel, 671
 CSX, 813

D

Daily News, 9–11
 DaimlerChrysler, 447
 Dell Computer, 13, 15, 139, 241, 359, 397, 714, 739
 Delta Airlines, 245, 487
 Disney, 278, 682
 Dow Chemical, 470
 Duke Power Company, 826
 Dunkin' Donuts, 237
 DuPont, 263, 672, 756, 826

E

Eagle Global Logistics, 560
 Eastman Chemical Company, 824
 Eastman Kodak, 777
 eBay, 8
 Eisenhower Memorial Hospital, 716
 Electrolux, 188
 EMC Corporation, 188
 Emerson Electric, 468
 Enron, 14, 826
 Equifax, 813
 Ernst and Young, 36, 99, 791
 ExxonMobil, 199, 577, 606–7, 775, 776–77

F

Facebook, 484
 Federal Express, 82, 203, 675, 714, 757

- Fidelity National Financial, 36
 Fiji Water, LLC, 793
 FMC, 813
 Ford Motor Company, 399, 433, 439, 447, 487, 626, 776
 Frito-Lay, 712
 FRx Software, 198
 Fujifilm, 827
 Fujitsu, 671, 717
- G**
 Gap, 739
 General Electric, 77, 187, 202, 203, 227, 278, 519, 672, 678, 680
 General Growth Properties, 818
 General Motors (GM), 26–27, 77, 659, 670, 778
 Gillette, 5, 183
 GlaxoSmithKline, 447, 757
 Global Crossing, 63, 77
 Goldman Sachs, 202, 825
 Google, 791
 Gucci, 187
- H**
 Haale & Dorr, 101
 Harley-Davidson, 187
 Hawei & Hawei, 777
 Health South, 826
 Heinz, 36
 Hendrick Motorsports, 198
 Hewlett-Packard, 5, 32, 77, 155, 185, 362, 449, 519, 711
 Hitachi, 100, 504
 Home Depot, 62, 184, 362, 466, 776
 Honda, 13, 139, 397, 739, 740
 Honeywell, 678
 Host, 824
 Hyundai, 399
- I**
 IAC/interactiveCorp, 818
 IBM, 8, 202, 397, 487, 827
 IKEA, 441
 Infosys Technologies, 466–67
 Interlake, 777
 International Paper, 263
- J**
 JCPenney, 187
 JetBlue Airways, 245, 390–91
 Johnson & Johnson (J&J), 5, 202, 468, 476, 827
 Jones Soda, 3
 JP Morgan Chase, 139, 391, 825
 J. Walter Thompson, 399
- K**
 Kanthal, 155
 KB Home, 659
 Kellogg Corporation, 5, 101
 Kimberly-Clark, 702
 Kmart, 286
 Kodak, 202, 397, 827
 Kraft, 203
 Kroger, 682
- L**
 Lexus, 757
 LG Electronics, 138–39
- Linens ‘n Things, 702
 Litton Industries, 101
 Live Nation, 717
 L. L. Bean, 101, 466
 LO-3 Communications, 560
 Lockheed-Martin, 826
 Lowe’s, 468
- M**
 Macy’s, 187, 262–63, 301
 Manhattan Construction, 108
 Marriott, 199, 824
 Mattress Discounters, 300
 Mayo Clinic, 27
 Maytag, 228, 449
 McDonald’s, 237, 242, 359, 680, 716
 McKinsey & Company, 101
 Merck, 447
 Merrill Lynch, 36
 Microsoft Corporation, 8, 12, 198, 202, 433, 739, 794
 Mint, 182, 518
 Minute Maid, 101
 Mitsubishi, 757
 Mobile, 186
 Morgan Stanley, 825
 Motorola, 671, 678
 MySpace, 757
- N**
 NASCAR, 198
 National Basketball Association (NBA), 226–27
 National Football League, 108
 Nestle, 543
 Netflix, 398
 News Corp., 757
 Nexamp, 98–99
 Nike, 3, 8, 13–14, 824
 Nintendo, 778
 Nissan Motor Company, 99, 185, 244, 362, 447
 Nokia, 36, 346
 Nordea, 188
 Northwest, 245
 Novartis AG, 202, 280, 607, 824
 Nucor, 777
- O**
 Ogilvy & Mather, 101
 Olive Garden, 466
 OPD, 199, 200
 Oracle, 139
 Owens and Minor, 36, 513
 Owens Corning, 185
- P**
 Pace, 185–86
 Panasonic, 399
 Pandora, 78, 518
 Pepsi Bottling Group, 7
 PepsiCo, 101, 466, 470
 Pfizer, 184, 203, 447, 757
 Philips, 779
 Pitney-Bowes, 15
 Pittsburgh Steelers, 3
 Pizza Hut, 201, 362, 757
 Polysar, 318
 Porsche, 184, 391
- PPG Industries, 439
 Price Waterhouse Coopers, 101
 Proctor & Gamble, 5, 62, 199, 400, 702, 714
 Public Warehousing Company, 560
- R**
 Renault-Nissan, 433
 Ricoh, 8
 Ritz-Carlton, 182–83
 Royal Dutch Shell Group, 606–7
- S**
 Saatchi and Saatchi, 36, 100
 Samsung, 671
 Sandoz, 241, 280, 318
 Sealy, 300–1
 Shell Oil, 101
 Sheraton, 824
 Siemens Nixdorf, 470
 Singapore Airlines, 36
 Sirius Satellite Radio, 78
 Sony Corporation, 6, 27, 399, 739, 757
 Southwest Airlines, 5, 8, 15, 183, 245
 Starbucks, 237, 243, 824
 Starwood Hotels and Resorts, 824, 825
 Sumitomo Corporation, 779
 Symantec Corp., 774–75
- T**
 Target, 36, 183, 738–39
 Tata Motors, 432–33
 Tektronic, 777
 Tesco, 777
 Texas Instruments, 318, 468
 TiVo, 675
 Toshiba, 36, 504
 Toyota, 5, 203, 242, 399, 670–71, 714, 724, 757, 778
 Trader Joe’s, 543
 Turner Broadcasting, 36
 Twitter, 33
 Tyco, 826
- U**
 Unilever, 675
 Union Pacific, 159
 United Airlines, 63, 77, 82, 244, 245, 286, 757
 United Way, 27, 80
 Universal Studios, 101
 USAA Federal Savings Bank, 155
 U.S. Airways, 63, 77, 245
 U.S. Postal Service, 101, 159, 356
 U.S. Steel, 263
- V**
 Vanguard, 5
 Veritas Software Corp., 774
 Verizon, 319
 Virgin Atlantic, 644
 Volkswagon, 344
- W**
 Wachovia, 447
 Wal-Mart, 7, 38, 101, 182, 183, 280, 359, 467, 468, 503, 680, 710, 738
 Walt Disney Company, 758, 780
 Washington Mutual, 15
 Watchell, Lipton, Rosen, & Katz, 36

Wells Fargo, 474
 Wendy's, 590
 Westin Hotels, 757, 824
 Weyerhaeuser, 101
 Whole Foods, 99
 W Hotel, 824
 WorldCom, 14, 15, 63, 77, 826
 Wyndham, 824

X

Xerox, 476
 XM Satellite Radio, 78

Y

Yahoo!, 263, 777

Z

Zipcar, 33

Subject

A

AARR. *See* Accrual accounting rate-of-return
 ABB. *See* Activity-based budgeting
 ABC. *See* Activity-based costing systems
 Abnormal spoilage, 646, 656
 Absorption costing, 301–3
 alternative denominator-level capacity concepts for, 314–15
 breakeven points in, 327–28
 comparative income effects of, 309–10
 comparison of, with alternative costing methods, 313–14
 comparison of, with variable costing, 303–9
 performance measures and, 309–11
 steps to reduce undesirable effects of, 310–11
 Account analysis method, 347
 Accountants
 management, 8–12, 13–14
 professional ethics of, 14–18
 Accounting
 cost, 3–5, 47–48
 financial, 3
 management, 4–5, 11–12
 responsibility, 199–200
 Accounting information, uses of, 3–4
 Accounting-period dimension, of cost analysis, 739
 Accounting rate of return, 809–10
 Accounting systems, 3
 Accrual accounting rate-of-return (AARR) method, 749–50, 809–10
 Activities, 32, 146, 158
 Activity-based budgeting (ABB), 193
 Activity-based costing (ABC) systems, 32, 146–60, 324
 cost drivers and, 356–57
 cost estimation and, 357
 cost hierarchies, 149
 defining activities, 147
 department costing systems and, 158–59
 implementing, 150–53, 158–59

 in service and merchandising companies, 159
 time-driven, 160
 using for improving cost management and profitability, 156–58
 variance analysis and, 281–85
 Activity-based management (ABM), 156
 Activity dictionary, 147
 Activity list, 147
 Actual costing, 27, 110–11
 Actual cost rates, 544, 547
 Actual indirect-cost rate, 107
 Actual usage, for cost allocation, 547–49
 Adjusted allocation-rate approach, 118–19
Adjustor's Replace-a-Car v. Agency Rent-a-Car, 451–52
 Advance pricing agreement (APA), 792
 Advertising decisions, 72
 Airline pricing, 450
 Allowable costs, 559
 Alternatives, choosing among, 9
 American Society for Quality, 671
 Annual overhead rates, 104
 Antitrust laws, effects on pricing, 451
 APA. *See* Advance pricing agreement
 Appraisal costs, 673
 Appropriate measure of costs, 451
 Assets, long-term, 816–18
 Autocorrelation, 370
 Autonomy, 777
 Average cost, 35
 Average waiting time, 683

B

Backflush costing, 718–26
 accounting for variances, 722
 simplified normal or standard costing, 718–26
 special considerations in, 726
 Balanced scorecard, 466–67
 aligning to strategy, 475
 defined, 470–71
 features of good, 475–76
 implementing, 474–75
 perspectives of, 472–74, 476, 775, 807–8
 pitfalls in implementing, 476–77
 time-related measures and, 688–89
 Balance sheet, budgeted, 207, 210
 Bargaining power, 468
 Batch-level costs, 149
 Behavioral considerations, in accounting, 12
 Belief systems, 827
 Benchmarks/benchmarking, 8, 10
 budgets as, 186
 defined, 244
 performance evaluation and, 823
 variance analysis and, 244–46
 BEP. *See* Breakeven point
 Bill of materials, 192
 Book value, 410
 Bottlenecks, 682–84, 686–89
 Boundary systems, 826
 Branch offices, decisions about closing or adding, 409–10
 Breakeven point (BEP), 68–69
 calculation of, 78–79

 margin of safety and, 73–75
 operating leverage and, 76–77
 in variable costing and absorption costing, 327–28
 Broad averaging, 139–41
Brooke Group v. Brown & Williamson Tobacco (BWT), 452–53
 Budget, 10
 Budgetary slack, 201–3
 Budgeted balance sheet, 207, 210
 Budgeted cost, 27
 Budgeted cost rates, 547
 Budgeted fixed manufacturing cost rate, 315–16
 Budgeted fixed overhead rates, 271–72
 Budgeted income statement, 196, 209
 Budgeted indirect-cost rate, 104
 Budgeted indirect costs, 117–22
 Budgeted performance, 227
 Budgeted sales mix, 521
 Budgeted usage, for cost allocation, 547–49
 Budgeted variable overhead cost rates, 265–267
 Budgeting cycle, 185
 Budget operating income, 197–99
 Budgets, 47
 activity-based, 193
 advantages of, 185–87
 capital. *See* Capital budgeting
 cash, 206–11
 challenges of administering, 187
 cost of goods sold, 195
 defined, 184
 direct material, 192–93
 ending inventories, 195
 financial, 189, 206
 flexible, 230–31, 282–85
 human aspects of, 201–3
 kaizen, 203
 life-cycle, 447–49
 manufacturing overhead cost, 193–94
 master, 182–83, 185, 189
 in multinational companies, 203–4
 nonmanufacturing costs, 196
 preparation of, 207–9
 production, 192
 responsibility accounting and, 199–200
 revenues, 191–92
 static, 228–30
 steps in developing operating, 187–97
 strategy and, 184
 time coverage of, 187–88
 Web-enabled, 198
 Bundled products, 560–561
 Business function costs, 395
 Business functions, 6–7
 Byproducts, 578, 589–92

C

Capacity constraints, product-mix decisions and, 405–6
 Capacity costs, 323–24
 Capacity level, choosing, 316–23
 Capacity management
 downsizing and, 486–88
 external reporting, 320–22

- performance evaluation and, 318–20
- product costing and, 316–17
- tax reporting and, 322–23
- unused capacity, 487–88
- Capacity utilization, 315
- Capital budgeting
 - accrual accounting rate-of-return (AARR) method, 749–50
 - customer value and, 757–58
 - discounted cash flow (DCF)
 - methods, 741–46
 - inflation and, 762–64
 - management of projects, 755–57
 - payback method, 746–48
 - relevant cash flows and, 750–55
 - sensitivity analysis, 745–46
 - stages of, 739–41
 - strategic decisions in, 757–58
- Capital, working, 753, 755
- Carrying costs, 704
 - of inventory, 403–5
- CASB. *See* Cost Accounting Standards Board
- Cash budgets, 206–11
- Cash flows, 210–11
 - after-tax, 750–51
 - categories of, 752–55
 - discounted, 741–46
 - net initial investment, 752
 - nonuniform, 747–48
 - from operations, 753–54
 - relevant, in discounted cash flow analysis, 750–55
 - uniform, 746–47
- Cause-and-effect criterion in choosing cost drivers, 345
- Cause-and-effect diagrams, 676–77
- CEO. *See* Chief executive officer
- CEO compensation, 806–7, 825
- CFO. *See* Chief financial officer
- Chartered Institute of Management Accountants (CIMA), 18
- Chief accounting officer, 13–14
- Chief executive officer (CEO), 13–14
- Chief financial officer (CFO), 13–14
- Choice criterion, 84
- CIM. *See* Computer-integrated manufacturing
- Clayton Act, 451
- Codes of conduct, 826
- Coefficient of correlation, 374
- Collusive pricing, 452
- Common costs, 557–58
- Communication, budgets and, 185–86
- Compensation
 - CEO, 806–7
 - executive, 824–25
 - team-based, 823–24
- Competitor analysis, for target pricing, 439
- Competitors
 - pricing decisions and, 434
 - strategy and, 467–69
- Composite unit, 521
- Computer-integrated manufacturing (CIM), 145, 757
- Conference method, 346–47, 357
- Conformance quality, 672
- Constant gross-margin percentage
 - NRV method, 584–86
- Constants, 343
- Constraints, 416
 - theory of, 686–89
- Continuous budget, 188
- Continuous improvement, 8, 244, 443
- Contracts, 558–60
- Contribution income statement, 65
- Contribution margin, 64–66
 - budgeted, 521–22
 - versus gross margin, 81–82
 - product-mix decisions and, 405–6
- Contribution margin method, in CVP analysis, 66–67
- Contribution margin percentage, 65
- Contribution margin per unit, 65
- Contribution margin ratio, 65
- Control, 10, 826–27
- Control charts, 675–76
- Controllability, 200–1
- Controllable costs, 200–1
- Controller, 13–14
- Controllership, 13–14
- Conversion costs, 43, 719–21
- Coordination, budgets and, 185–86
- COQ. *See* Costs of quality
- Corporate costs, 506, 508–10
- Corporate scandals, 14
- Corporate-sustaining costs, 512
- Cost accounting, 4
 - framework for, 47–48
- Cost Accounting Standards Board (CASB), 559
- Cost accumulation, 27–28
- Cost allocation, 29, 99–100
 - based on demand for computer services, 544–45
 - based on supply of capacity, 545–46
 - of common costs, 557–58
 - comparison of methods, 556–57
 - contracts and, 558–60
 - of corporate costs, 508–10
 - costing systems and, 506–10
 - criteria to guide decisions, 504–5
 - direct method, 550–51
 - double-rate method, 544–47
 - incremental method, 557–58
 - of multiple support departments, 550–57
 - purposes of, 503–4
 - reciprocal method of, 553–56
 - single-rate method, 544–47
 - spoilage and, 652–54
 - stand-alone method, 557
 - step-down method, 551–53
 - of support department to operating departments, 543–47
- Cost-allocation bases, 100, 107, 146, 147
 - identifying, 151–52
 - multiple, 121–22
- Cost analysis, 440
 - dimensions of, 739–41
 - discounted cash flow (DCF)
 - methods, 741–46
 - payback method, 746–48
 - sensitivity analysis, 745–46
- Cost-application base, 100
- Cost assignment, 99
 - defined, 29
 - example of, 29
- Cost-based (cost-plus) pricing, 437–39, 445–47
 - alternative methods, 446–47
 - target pricing and, 447
 - target rate of return on investment, 445–46
- Cost-based transfer prices, 781, 785–87
- Cost-behavior patterns, 30–34
- Cost-benefit approach, 12
- Cost centers, 199, 779
- Cost classification, 343–44
- Cost drivers, 32
 - activity-based costing and, 356–57
 - cause-and-effect criterion in choosing, 345
 - choosing, of cost functions, 371
 - and decision-making process, 345–46
 - dependent variables, 348
 - evaluating, of the estimated cost function, 353–57
 - identifying, 344–46
 - multiple, 79–80
- Cost effect
 - of growth, 480
 - of price recovery, 481
 - of productivity, 482–83
- Cost estimation, 344, 357
- Cost estimation methods, 346–48
 - account analysis method, 347
 - conference method, 346–47, 357
 - industrial engineering method, 346, 357
 - quantitative analysis method, 347–48
 - regression analysis method, 357
- Cost functions
 - basic assumptions and examples of, 341–44
 - choosing cost drivers for, 371
 - data collection and adjustment issues, 362–63
 - estimating, using quantitative analysis, 348–53
 - evaluating cost drivers of, 353–57
 - general issues in estimating, 341–44
 - learning curves and nonlinear, 358–59
 - nonlinearity and, 357–58
 - relevant range of, 344
- Cost hierarchies, 149
 - multiple regression and, 372–74
- Cost incurrence, 442
- Costing
 - absorption, 301–16, 327–28
 - backflush, 718–26
 - inventory, 300–3
 - job, 98–123
 - life-cycle, 447–49
 - long run, 436–39
 - normal, 104–10, 111–17, 122–23
 - peanut-butter, 139
 - process, 606–29
 - short run, 434–36
 - standard, 241–42, 632–35
 - super-variable, 312
 - target, 439–41
 - variable, 301–9, 312–14, 327–28

- Costing systems
 - ABC, 146–60
 - comparing alternative, 156–57
 - cost allocation and, 506–10
 - department, 158–59
 - example, 141–42
 - hybrid, 626–29
 - operation, 626–29
 - refining, 145
 - standard, 234–35, 241–42, 264–65
 - using single indirect-cost pool, 142–44
 - Cost leadership, 468–69, 482, 483, 484
 - Cost management, 4–5
 - framework for, 47–48
 - strategic, 5
 - using ABC, 156–58
 - Cost objects, 27, 28, 99
 - choice of, 343–44
 - types of, 100
 - Cost of capital, 742
 - Cost of goods manufactured, 41
 - Cost of goods sold, 41–42
 - budget, 195
 - write-off to, 121
 - Cost planning
 - CVP analysis and, 75–77
 - fixed-cost/variable-cost structures, 75–76
 - operating leverage and, 76–77
 - Cost-plus contracts, 559
 - Cost-plus pricing. *See* Cost-based (cost-plus) pricing
 - Cost pool, 100
 - Cost prediction, 344
 - Cost reduction, 156–57
 - Cost(s), 30–34, 75–77
 - actual, 27
 - allowable, 559
 - appraisal, 673
 - assigned, 27–28
 - batch-level, 149
 - budgeted, 27
 - business function, 395
 - capacity, 323–24
 - carrying, 403–5, 704
 - classifications, 29–30
 - controllable, 200–1
 - conversion, 43
 - customer-level, 512–14
 - defined, 27
 - differential, 399
 - different types of, 12
 - direct, 28, 29–30, 34, 99
 - direct material, 37
 - discretionary, 486–87
 - engineered, 486–87
 - facility-sustaining, 149
 - fixed, 30–34, 75–76
 - flow of, in job costing, 111
 - of goods for sales, 703–4
 - imputed, 810
 - incremental, 399
 - independent variables, 348
 - indirect, 28–30, 34, 99, 503
 - internal failure, 673
 - inventoriable, 37–38, 39–42
 - joint, 576–89
 - labor, 37, 44
 - locked-in, 442
 - manufacturing, 36, 37, 39–42
 - measuring, 44–47
 - mixed, 343
 - nonvalue-added, 442
 - opportunity, 401–5
 - output unit-level, 149
 - overhead, 37, 44, 113–14, 261–71
 - past, 410–11
 - period, 38, 42
 - pricing decisions and, 434–36
 - prime, 43
 - product, 45–47
 - product-sustaining, 149
 - quality, 672–75
 - reducing, 7–8
 - relationships among types of, 34
 - relevant, 342–43, 587
 - semivariable, 343
 - separable, 577
 - standard, 234–35, 240–41
 - total, 35–36
 - total variable, 64
 - transferred-in, 621–26
 - treasury, 506
 - unit, 35–36
 - value-added, 442
 - variable, 30–34, 75–76
 - Costs of quality (COQ), 672–75, 680, 704
 - Cost systems
 - actual costing, 110–11
 - concepts of, 99–100
 - normal costing, 104–10, 111–17
 - Cost tracing, 28, 99
 - Cost-volume-profit (CVP) analysis, 63–82
 - assumptions, 68
 - breakeven point, 68–69
 - contribution margin method, 66–67
 - contribution margin versus gross margin, 81–82
 - cost planning and, 75–77
 - for decision making, 72–73
 - decision models, 84–86
 - effects of sales mix on income, 77–80
 - equation method, 66
 - essentials of, 63–68
 - graph method, 67
 - multiple cost drivers, 79–80
 - sensitivity analysis and, 73–75
 - in service and nonprofit organizations, 80–81
 - target net income and income taxes, 70–72
 - target operating income, 69–70
 - uncertainty and, 84–86
 - CRM. *See* Customer relationship management
 - Cross-functional teams, 442–43
 - Cross-sectional data, 349
 - Cumulative average-time learning model, 359
 - Current cost, 815–16
 - Customer batch-level costs, 512
 - Customer-cost analysis, 511–12
 - Customer-cost hierarchy, 511
 - Customer-level costs, 512–14
 - Customer life-cycle costing, 449
 - Customer output unit-level costs, 511
 - Customer perspective, of balanced scorecard, 472, 473, 476, 775, 807
 - Customer profitability, 406–10
 - Customer-profitability analysis, 510–18
 - sales variances and, 518–23
 - Customer-profitability profiles, 514–18
 - Customer relationship management (CRM), 6–7
 - Customer-response time, 8, 681–82
 - Customer retention, likelihood of, 516
 - Customer-revenue analysis, 511
 - Customers
 - bargaining power of, 468
 - perceived value by, 439
 - pricing decisions and, 434
 - profitability of, 502–3
 - Customer satisfaction, nonfinancial measures of, 675
 - Customer service, 6
 - Customer-service costs, 117
 - Customer-sustainable costs, 512
 - Customized products, 627
 - CVP analysis. *See* Cost-volume-profit (CVP) analysis
- ## D
- Databases, 3
 - for estimating cost functions, 362–63
 - DCF. *See* Discounted cash flow method
 - Decentralization, 776–80
 - benefits of, 777–78
 - comparison of benefits and costs, 779
 - costs of, 778–79
 - in multinational companies, 779
 - Decision making
 - analyzing relevant information, 47–48
 - applying to strategy, 486
 - capital budgeting, 740–41
 - choosing output levels, 394–97
 - five-step process, 9–11, 144–45, 392, 485–86
 - information and, 391–92
 - irrelevance of joint costs for, 587–89
 - to manage customer profitability, 517–18
 - relevant information and, 392–97
 - uncertainty and, 74–75, 84–86
 - using ABC, 156–57
 - using CVP analysis, 64, 72–73
 - Decision models, 84–86, 391–92, 412–13
 - Decisions
 - about customer profitability, 406–10
 - to advertise, 72
 - cost-allocation, 504–10
 - cost-benefit approach to, 12
 - equipment-replacement, 410–11
 - good, and good outcomes, 86
 - implementing, 10
 - insourcing-versus-outsourcing, 397–401
 - make-or-buy, 397–99
 - performance evaluation and, 412–13
 - pricing. *See* Pricing decisions
 - product-mix, 45, 405–6
 - sell-or-process-further, 587–88

- Decision table, 85
- Degree of operating leverage, 76–77
- Demand
 - downward demand spiral, 317–18
 - pricing decisions and, 317–18
- Demand inelasticity, 450
- Deming Prize, 671
- Denominator-level capacity concepts, 301, 314–16
 - capacity costs and, 323–24
 - choosing a capacity level, 316–23
 - difficulties in forecasting chosen denominator-level concept, 323
- Denominator reason (quantity of allocation base), 103, 118
- Department costing systems, 158–59
- Dependent variables, 348
- Design, 6
- Design decisions, 157
- Designed-in costs, 442
- Design process, 141
- Design products, 141
- Design quality, 672
- Diagnostic control systems, 826
- Differential costs, 399
- Differential revenue, 399
- Direct costing, 302
- Direct costs, 28–30, 34
 - of cost object, 99
 - identifying, 105–6
 - labor, in service sector, 122–23
 - variances for, 234–41
- Direct-cost tracing, 146, 147
- Direct manufacturing labor costs, 37, 42, 43, 106
- Direct material costs, 37, 38, 105
- Direct material purchases budget, 192–93
- Direct materials inventory, 37
- Direct materials mix variances, 527–28
- Direct materials price and efficiency variances, 526
- Direct materials yield variances, 527–28
- Direct material usage budget, 192–93
- Direct method of cost allocation, 550–51
- Discounted cash flow (DCF) methods, 741–46
 - comparison of methods, 745
 - internal rate-of-return (IRR) method, 743–45
 - net present value (NPV) method, 742–43, 745
 - relevant cash flows and, 750–55
- Discount rate, 742
- Discretionary costs, 486–87
- Distress prices, 784–85
- Distribution, 6
- Distribution-channel costs, 512
- Disturbance term, 369
- Division costs, 506–9
- Downsizing, 487
- Downward demand spiral, 317–18
- Dual pricing, 789
- Dual-rate cost allocation method, 544–547
- Dumping, 452
- Dupont method of profitability analysis, 810
- Durbin-Watson statistics, 371
- E**
- Economic-order-quantity (EOQ) decision model, 704–706, 710–11
- Economic plausibility, 354
- Economic transactions, processing, 3
- Economic value added (EVA), 812–13
- Economy, sectors of, 36
- EDI. *See* Electronic Data Interchange technology
- Effectiveness, 243
- Efficiency, 7–8, 243
- Efficiency variances, 234–41, 267–69
- Effort, 776
- Electronic Data Interchange (EDI) technology, 109
- Employees
 - evaluating, 823–24
 - motivating, 186–87, 776
 - multiple tasks performed by, 823
- Ending inventories budget, 195
- End-of-accounting-year adjustments, for budgeted indirect costs, 117–22
- Engineered costs, 486–87
- Enterprise Resource Planning (ERP) systems, 3, 197, 716–17
- Environmental responsibilities, 672, 826
- EOQ. *See* Economic-order-quantity decision model
- Equation method, in CVP analysis, 66
- Equipment-replacement decisions, 410–11
- Equivalent products, 468
- Equivalent units, 610–11, 614–16
- ERP. *See* Enterprise Resource Planning systems
- Error term, 369
- Ethical challenges, 17–18
- Ethical codes, 826–27
- Ethical guidelines, 15–16
- Ethics, 14–18
- EVA. *See* Economic value added
- Executive compensation, 806–7, 824–25
- Expected future costs, 393
- Expected future revenues, 393
- Expected monetary value, 85
- Expected value, 85–86
- Experience curve, 358–59
- External failure costs, 673
- External reporting
 - capacity utilization and, 320–22
 - inventory-costing methods and, 313–14
- F**
- Facility-sustaining costs, 149
- Factory overhead costs, 37
- Favorable variances, 229–30
- Federal Trade Commission Act, 451
- Feedback
 - budgets and, 200
 - timing of, 818–19
- FIFO. *See* First-in, first-out process-costing method
- Finance director, 13
- Financial accounting, 3
- Financial budgets, 189, 206
- Financial performance measures, 244, 286–87
- Financial perspective, of balanced scorecard, 472, 473, 476, 775, 807
- Financial planning models, computer-based, 197–99
- Finished goods inventory, 37, 116
- First-in, first-out (FIFO) process-costing method, 606–7, 617–21
 - compared with weighted-average method, 620–21
 - spoilage and, 649–52
 - transferred-in costs and, 624–25
- First-incremental party, 557
- First-incremental product, 562
- First-incremental user, 557
- Fishbone diagrams, 676
- Fixed-cost capacity analysis, 314–16
- Fixed costs, 30–34, 75–76
 - accounting for manufacturing, 303
 - problem of high, 77
 - reducing, 77
- Fixed manufacturing costs, difficulties in forecasting, 323–24
- Fixed overhead costs
 - developing budgeted, 271–72
 - journal entries for, 274–76
 - planning, 264
 - variance analysis and, 284–85
 - variances, 271–76
- Fixed overhead cost variances, 271–76
 - analysis of, 276–78
- Flexible-budget analysis, 267
- Flexible budgets, 230–31, 282–85
- Flexible-budget variances, 230–33, 520–21
- Flexible manufacturing systems (FMS), 145
- FMS. *See* Flexible manufacturing systems
- Foreign currency, calculating ROI in, 819–20
- 4-variance analysis, 277–78
- Full-cost bases, 785–87
- Full costs of the product, 395
- Future predictions, 9
- G**
- GAAP. *See* Generally accepted accounting principles
- General ledger, in normal job-costing system, 112–13
- Generally accepted accounting principles (GAAP), 3, 46, 726
- Goal congruence, 776
- Goodness of fit, 354, 367–68
- Goods for sales, costs associated with, 703–4
- Government contracts, 45–46, 559
- Graphic approach, in linear programming, 418

Graph method, in CVP analysis, 67
 Gross book value, 816–18
 Gross margin, versus contribution margin, 81–82
 Gross margin percentage, 82
 Growth component, of change in operating income, 479–80

H

Heteroscedasticity, 370
 High-low method, 350–51
 Homogeneous cost pool, 146
 Homoscedasticity, 370
 Human resource management costs, 506
 Hurdle rate, 742
 Hybrid costing systems, 626–29
 Hybrid transfer prices, 781, 787–89

I

Idle capacity, 397–99
 Idle time, 45
 Imputed, 810
 Incentives, 821–22
 Income
 effects of sales mix on, 77–80
 operating, 42, 303–9
 residual, 810–11
 target net, 70–72
 target operating, 69–70
 Income statement
 budgeted, 196, 209
 comparison of, 303–8
 contribution, 65
 Income taxes, target net income and, 70–72
 Incremental cost-allocation method, 557–58
 Incremental costs, 399
 Incremental revenue, 399
 Incremental revenue-allocation method, 562–64
 Incremental unit-time learning model, 360–61
 Independent variables, 348, 355, 368–69
 Indirect-cost pools, 103–4, 118, 142–44, 146, 147
 Indirect-cost rates
 budgeted, 104
 time period used to compute, 103–4
 Indirect costs, 28–30, 34, 302, 503
 actual, 102
 allocating, 106
 budgeted, 117–22
 computation of, 107
 of cost object, 99
 identifying, 107
 overallocated, 118
 underabsorbed (overabsorbed), 118
 underallocated, 118
 underapplied (overapplied), 118
 Indirect labor costs, 44
 Indirect manufacturing costs, 37, 107
 Industrial engineering method, 346, 357
 Industry-market-size factor, 483
 Inflation, 363
 capital budgeting and, 762–64
 NPV method and, 762–64

Information
 control role of, 10
 decision process and, 391–92
 gathering, 9
 qualitative, 394
 quantitative, 394
 relevant, 47–48, 392–94
 Information-gathering technology, cost classification and, 30
 Information technology, standard costing and, 241
 Innovation, 8
 Innovation process, 472
 Input prices, budgeted, 234–35
 Input-price variance, 236
 Inputs
 budgeted, 234–35
 standard, 234–35
 Insourcing, 397
 Inspection points, 647, 652–54
 Institute of Management Accountants (IMA), 15
 Interactive control systems, 826, 827
 Intermediate products, 780, 790–91
 Internal audit, 13
 Internal-business-process perspective, of balanced scorecard, 472, 473, 476, 675–78, 775, 807
 Internal failure costs, 673
 Internal rate-of-return (IRR) method, 743–45
 Internal Revenue Service (IRS), 792
 International Financial Reporting Standards, 606
 International outsourcing, 400–1
 Intrinsic motivation, 827
 Inventoriable costs, 37–38, 39–42
 Inventory
 carrying costs of, 403–5
 direct materials, 37
 finished goods, 37
 just-in-time, 702
 process costing and, 609–13
 supplier-managed, 714
 types of, 37
 undesirable buildup of, 310–11
 work-in-process, 37
 Inventory-costing methods
 comparison of alternative, 313–14
 for manufacturing companies, 300–3
 Inventory management
 estimated inventory-related costs and their effects, 709–11
 JIT production and, 714–18
 just-in-time (JIT), 702, 711–14
 materials requirements planning (MRP) and, 714
 in retail organizations, 703–9
 Investment, 808–9
 return on, 809–10, 819–20
 terminal disposal of, 755
 Investment centers, 199, 779
 Investor relations, 13
 IRR. *See* Internal rate-of-return method
 IRS. *See* Internal Revenue Service
 ISO 9000, 672

J

JIT. *See* Just-in-time
 Job, 100
 Job costing, 98–123
 building-block concepts of costing systems, 99–100
 evaluation, 102–3
 example, 102–3
 flow of costs in, 111
 general approach to, 104–9
 implementation, 102–3
 nonmanufacturing costs and, 117
 process costing and, 607–8
 rework and, 656–57
 role of technology, 109–10
 spoilage and, 655–56
 Job-costing system, 100–1
 actual costing, 110–11
 budgeted indirect costs and end-of-accounting year adjustments, 117–22
 multiple overhead costs pools, 121–22
 normal costing, 104–10
 normal, in manufacturing, 111–17
 time period used to compute indirect cost rates, 103–4
 variations from normal costing, 122–23
 Job-cost records, 104, 112
 Job-cost sheet, 104
 Joint-cost allocation
 approaches to, 579–86
 choosing method, 586–87
 constant gross-margin percentage NRV method, 584–86
 net realizable value (NRV) method, 583–84
 performance evaluation and, 588–89
 physical-measure method, 582–83
 reasons for, 579
 sales value at splitoff method, 580–82
 Joint costs, 576–89
 accounting for byproducts, 589–92
 irrelevance of, for decision making, 587–89
 not allocating, 587
 Joint products, 578
 Journal entries
 for fixed overhead costs and variances, 274–76
 for operation-costing system, 629
 in process-costing systems, 612–13
 spoilage and, 652
 using standard costs, 240–41
 for variable overhead costs and variances, 270–71
 Just-in-time (JIT) inventories, 702
 Just-in-time (JIT) production, 715–18
 Just-in-time (JIT) purchasing, 711–14
 EOQ model parameters and, 711
 relevant costs of, 711–12
 supplier evaluation and, 712–13
 supply-chain analysis and, 713–14

K

Kaizen, 443
 Kaizen budgeting, 203

L

Labor costs
 direct, 122–23
 direct manufacturing, 106
 indirect, 44
 manufacturing, 37
 measuring, 44
 Labor-time records, 106, 116
 Labor-time sheets, 106, 114
 Last-in, first-out (LIFO) process-costing method, 606
 Lean accounting, 726–28
 Lean production, 715
 Learning, 10
 Learning-and-growth perspective
 of balanced scorecard, 473, 474, 476, 808
 for quality improvement, 678
 Learning curves, 358–59
 cumulative average-time learning model, 359
 incremental unit-time learning model, 360–61
 setting prices, budgets, and standards, 361–62
 Levers of control, 826–27
 Life-cycle budgeting, 447–49
 Life-cycle costing, 447–49
 LIFO. *See* Last-in, first-out process-costing method
 Linear cost function, 342
 Linear programming (LP), 416–18
 steps in solving, 416–17
 Line management, 13
 Locked-in, 442
 Long-run pricing decisions, 436–39
 Long-term assets, 816–18
 Loss leaders, 502
 LP. *See* Linear programming

M
 Main products, 578
 Make-or-buy decisions, 397–99
 Malcolm Baldrige National Quality Award, 671
 Management
 line, 13
 staff, 13
 Management accountants
 decision making by, 9–11
 organization structure and, 13–14
 performance improvements and, 7–8
 qualities needed by, 15–17
 strategic decisions and, 5
 Management accounting, 4
 guidelines, 11–12
 strategic decisions and, 5
 value chain and, 5–7
 Management by exception, 227
 Management control systems
 defined, 775–76
 effective, 776
 formal and informal, 775–76
 Managers
 control systems, 826–27
 decision making by, 412–13
 distinction between organization units and, 821–25
 evaluating, 821–25

motivating, 10, 186–87, 228, 776
 performance evaluation measures, 202–3
 Manufacturing cells, 715
 Manufacturing costs, 36–38
 difficulties in forecasting, 323–24
 Manufacturing cycle efficiency (MCE), 681
 Manufacturing cycle time, 681, 715
 Manufacturing lead time, 681
 Manufacturing overhead allocated, 113–14
 Manufacturing overhead applied, 113–14
 Manufacturing overhead costs, 37, 44, 113–14
 budget for, 193–94
 Manufacturing-sector companies, 36
 flow of costs in, 39–43
 inventory costing for, 300–3
 job costing in, 101
 normal job-costing system in, 111–17
 process costing in, 101
 Margin of safety, 73–75
 Market-based pricing, 437–41
 Market-based transfer prices, 780, 784–85, 790
 Market entrants, strategy and, 468
 Marketing, 6
 Marketing costs, 117
 Marketing programs, 5
 Markets, perfectly competitive, 784
 Market-share variance, 248–49
 Market-size variance, 248–49
 Mass customization, 627
 Master-budget capacity utilization, 315
 Master budgets, 182–83, 185, 189
 Material requirements planning (MRP), 714
 Materials-requisition record, 105
 MCE. *See* Manufacturing cycle efficiency
 Merchandising-sector companies, 36
 ABC in, 159
 job costing in, 101
 overhead cost variances in, 285–87
 process costing in, 101
 Microsoft Forecaster, 198
 Mixed costs, 343
 Moral hazard, 822
 Motivation, 776, 827
 MRP. *See* Material requirements planning
 Multicollinearity, 374
 Multinational companies
 budgeting in, 203–4
 decentralization in, 779
 performance measurement in, 819–20
 transfer pricing and, 791–94
 Multiple regression analysis, 352, 372–74

N

Negotiated transfer prices, 788–89
 Net book value, 816–18
 Net income, 70
 Net initial investment, 752

Net present value (NPV) method, 742–43, 745
 inflation and, 762–64
 Net realizable value (NRV) method, 583–84
 New-product development, 8
 Nominal rate of return, 762
 Nonfinancial performance measures, 244, 286–87
 Nonlinear cost functions, 357–58
 learning curves and, 358–59
 Nonmanufacturing costs, 117, 324
 Nonmanufacturing costs budget, 196
 Nonprofit organizations, CVP analysis in, 80–81
 Nonuniform cash flows, 747–48
 Nonvalue-added costs, 442
 Normal capacity utilization, 315
 Normal costing, 104–10
 in manufacturing, 111–17
 simplified, 718–26
 variations from, 122–23
 Normal spoilage, 646, 652–54
 NPV. *See* Net present value method
 NRV. *See* Net realizable value method
 Numerator reason (indirect-cost pool), 103–4, 118

O

Objective function, 416
 Offshoring, 400, 401. *See also* Outsourcing
 One-time-only special orders, 394–96
 On-time performance, 681–82
 Operating budgets, steps in developing, 187–97
 Operating departments, allocating support department costs to, 543–47
 Operating income, 42
 cost leadership effect on, 485
 effect of industry-market-size factor on, 483
 effect of product differentiation on, 485
 effect of sales and production on, under variable costing, 308
 explaining differences in, 303–8
 growth component of change in, 479–80
 price-recovery component of change in, 479, 481
 productivity component of change in, 479, 482–83
 strategic analysis of, 478–85
 Operating-income volume variance, 281
 Operating leverage, 76–77
 Operating plans, 184
 Operation-costing systems, 626–29
 Operations, 626
 Operations process, 472
 Opportunity-cost approach, 402–3
 Opportunity cost of capital, 742
 Opportunity costs
 defined, 402
 of inventory, 403–5
 outsourcing and, 401–5
 Optimal solution, 417

- Ordering costs, 704
- Organization learning, 243–44
- Organization structure, 13–14
 - decentralization, 776–80
 - responsibility and, 199–200
- Organization units, 821–25
- Outcomes, 85
- Output levels, choosing, 394–97
- Output unit-level costs, 149
- Outsourcing
 - decisions about, 397–99
 - defined, 397
 - international, 400–1
 - opportunity costs and, 401–5
 - to reduce fixed costs, 77
 - strategic and qualitative factors in, 399–400
- Overabsorbed indirect costs, 118
- Overallocated indirect costs, 118
- Overapplied indirect costs, 118
- Overcosting, 140
- Overhead costs, 37, 44
 - fixed, 264, 271–76
 - journal entries for, 270–71
 - manufacturing, 113–14
 - multiple pools, 122
 - unused capacity and, 486, 487–88
 - variable, 262–63, 265
- Overhead cost variances
 - integrated analysis of, 276–78
 - in nonmanufacturing and service settings, 285–87
- Overhead rates, budgeted fixed, 271–72
- Overhead records, 116
- Overtime premium, 44
- P**
- Pareto diagrams, 676
- Partial productivity, 493, 494–95
- Past costs, irrelevance of, 410–11
- Payback method, 746–48
- Payroll fringe costs, 45
- Peak-load pricing, 450
- Peanut-butter costing, 139
- Perfectly competitive markets, 784, 791
- Performance, evaluating, 10–11
- Performance evaluation
 - benchmarks, 823
 - budgets and, 186, 202–3
 - capacity utilization and, 318
 - conflict between EOQ decision model and managers', 710–11
 - decisions and, 412–13
 - joint-cost allocation and, 588–89
 - of managers, 821–25
 - proposals for revising, 311
 - variances and, 228
- Performance-evaluation model, 412–13
- Performance improvements, 7–8
- Performance incentives, 822
- Performance measures, 10
 - absorption costing and, 309–11
 - alternative definitions of, 815
 - choosing among, 808–14
 - comparison of, 813–14
 - economic value added (EVA), 812–13
 - executive, 824–25
 - financial and nonfinancial, 244, 286–87, 807–8, 822
 - at individual activity level, 823–24
 - in JIT production, 718
 - measurement alternatives for, 815–18
 - in multinational companies, 819–20
 - residual income, 810–11
 - return on investment (ROI), 809–10
 - return on sales, 813
 - target levels for, 818–19
 - time horizon of, 814–15
 - timing of feedback, 818–19
 - using variances, 243
- Performance reports, 10–11
- Period costs, 38, 42
- Physical-measure method, 582–83
- Planning, 10
- Postsales-service process, 472
- Practical capacity, 314–15, 316–17, 322–23
 - for cost allocation, 545–46
- Predatory pricing, 451–52
- Prediction errors, 709–10
- Predictions, 9
- Premio Nacional de Calidad, 671
- Prevention costs, 673
- Previous-department costs, 621–26
- Price discrimination, 450
- Price-recovery component, of change in operating income, 479, 481
- Prices
 - budgeted input, 234–35
 - distress, 784–85
 - standard, 234–35
 - transfer, 780–83
- Price variances, 234–41
- Pricing
 - collusive, 452
 - cost-based, 437–38
 - cost-based (cost-plus), 445–47
 - decisions about, 45, 73
 - dual pricing, 789
 - dumping, 452
 - effects of antitrust laws on, 451
 - fairness of contract, 559
 - with learning curves, 361–62
 - market-based, 437–41
 - predatory, 451–52
 - prorating, 788
 - target, 439–41
 - transfer, 780–83
- Pricing decisions
 - considerations other than costs in, 450–52
 - downward demand spiral and, 317–18
 - joint-cost allocation and, 589
 - life-cycle budgeting and, 447–49
 - long run, 436–39
 - major influences on, 433–34
 - short run, 434–36
 - time horizon of, 435–36
 - using ABC, 156
- Primary party, 557
- Primary product, 562
- Primary user, 557
- Prime costs, 43
- Probability, 84
- Probability distribution, 84
- Problem identification, 9
- Process costing, 606–29
 - comparison of weighted-average and FIFO methods, 620–21
 - first-in, first-out (FIFO) method, 617–21
 - illustration of, 607–8
 - job costing and, 607–8
 - with some beginning and ending work-in-process inventory, 613–21
 - spoilage and, 647–52
 - standard-costing method, 632–35
 - transferred-in costs in, 621–26
 - weighted-average method, 614–16, 620–21
 - with zero beginning and some ending work-in-process inventory, 609–13
 - with zero beginning and zero ending work-in-process inventory, 608–9
- Process-costing system, 100–1
- Process improvement decisions, 156–57
- Producing for inventory, 310
- Product budgeting, life-cycle, 447–49
- Product-cost cross-subsidization, 140–41
- Product costing
 - calculations of, 611–12
 - capacity management and, 316–17
 - JIT systems and, 718
 - lean accounting, 726–28
 - long-run pricing decisions and, 436–39
- Product costs, 45–47
- Product differentiation, 468, 485
- Production, 6
- Production budget, 192
- Production cost worksheet, 611
- Production departments, 543
- Production-input variances, 525
- Production method, of accounting for byproducts, 591–92
- Production-volume variances, 272–73, 278–81
 - computing, 272–73
 - external reporting and, 320–22
 - interpreting, 273–74
- Productivity, 492
- Productivity component, of change in operating income, 479, 482–83
- Productivity measurement, 492–95
 - partial productivity, 493, 494–95
 - total factor productivity (TFP), 494
- Product life cycles, 8, 447
- Product-mix decisions, 45, 142
 - with capacity constraints, 405–6
 - using ABC, 156
- Product overcosting, 140
- Product quality, 469–70
- Products, 99, 100
 - bundled, 560–64
 - customized, 627
 - equivalent, 468
 - intermediate, 780, 790–91
 - joint, 578
 - main, 578

- Product-sustaining costs, 149
 Product undercosting, 140
 Professional ethics, 14–18
 Professional organizations, 15
 Profitability
 customer, 401–6, 502–3, 510–18
 Profit centers, 199, 779, 780
 Project dimension, of cost analysis, 739
 Proration, 119
 Proration approach, 119–21
 Purchase-order lead time, 704
 Purchasing costs, 703
 PV (profit-volume) graph, 70
- Q**
 Qualitative factors, 394, 399–400
 Quality, 8
 as competitive tool, 671–72
 conformance, 672
 costs of, 672–75
 customer satisfaction and, 675
 design, 672
 evaluating, 678–80
 Quality improvement, 469–70, 675–78
 cost savings from, 678
 learning-and-growth perspective
 for, 678
 Quality standards, 671–72
 Quantitative analysis
 data collection and adjustment
 issues, 362–63
 high-low method, 350–51
 regression analysis method, 352–53
 steps in estimating a cost function
 using, 348–53
 Quantitative analysis method, 347–48
 Quantitative factors, 394
- R**
 Rate variances, 236
 Real rate of return, 762
 Reciprocal method of cost allocation,
 553–56
 Reengineering, 469–70
 Refined costing system, 145
 Regression analysis, 367–74
 estimating the regression line, 367
 goodness of fit, 367–68
 multicollinearity, 374
 multiple regression and cost
 hierarchies, 372–74
 significance of independent variables,
 368–69
 specification analysis for estimation
 of assumptions, 369–71
 using regression output to choose
 cost drivers of cost functions,
 371–72
 Regression analysis method, 352–53,
 357
 Regression line, 367
 Relevance, 392–97
 illustration of, 394–96
 in outsourcing decisions, 397–99
 Relevant-cost analysis
 of adding a customer, 409
 of closing or adding branch offices,
 409–10
 of dropping a customer, 408–9
 illustration of, 394–97
 potential problems in, 397
 Relevant costs, 392–94, 587
 costs of time and, 684–86
 inventory-related, 709
 of JIT purchasing, 711–12
 quality improvement and, 678–80
 for short-run pricing decisions, 435
 Relevant range, 33–34, 344, 351
 Relevant revenues, 393–94, 408–10, 587
 Reorder point, 707
 Required rate of return (RRR), 742
 Research & development (R&D), 6, 757
 Residual income (RI), 810–11
 Residuals
 constant variance of, 369–70
 independence of, 370–71
 normality of, 371
 Residual term, 352, 370
 Resolution of Ethical Conflict, 17
 Responsibility
 controllability and, 200–1
 organization structure and, 199–200
 Responsibility accounting, budgeting
 and, 199–201
 Responsibility centers, 199–200
 Retail organizations, inventory
 management in, 703–9
 Return on investment (ROI), 809–10,
 819–20
 Return on sales (ROS), 813
 Revenue-allocation methods, 560–61
 bundled products and, 560–64
 incremental method, 562–64
 stand-alone method, 561–62
 Revenue centers, 199, 779
 Revenue drivers, 68
 Revenue effect
 of growth, 479–80
 of price recovery, 481
 Revenue objects, 560
 Revenues, 38, 560
 differential, 399
 incremental, 399
 relevant, 393–94, 587
 Revenues budget, 191–92
 Reverse engineering, 439
 Rewards, linking to performance, 10
 Rework
 defined, 645
 job costing and, 656–57
 RI. *See* Residual income
 Rightsizing, 487
 Risk, 821–22
 Risk management, 13
 Robinson-Patman Act, 451
 Rolling budget, 188
- S**
 Safety stock, 707–9
 Sales growth, 516
 Sales method, of accounting for
 byproducts, 592
 Sales mix, effects of, in income, 77–80
 Sales-mix variance, 521
 Sales-quantity variance, 521–23
 Sales value at splitoff method, 580–82
 Sales variances, 518–23
 Sales-volume variances, 231–33, 278–81
 Sarbanes–Oxley legislation, 14
 SBU. *See* Strategic business units
 Scorekeeping, 10
 Scrap
 accounting for, 657–59
 defined, 645
 Second-incremental party, 558
 Second-incremental product, 562
 Second-incremental user, 558
 Securities and Exchange Commission
 (SEC), 824–25
 Selling price, deciding to reduce, 73
 Sell-or-process-further decisions,
 587–88
 Semivariable costs, 343
 Sensitivity analysis, 73–75, 210–11,
 418, 745–46
 Separable costs, 577
 Sequential allocation method, 551–53
 Sequential tracking, 718
 Serial correlation, 370
 Service departments, 543
 Services, 99, 100
 Service-sector companies, 36
 ABC in, 159
 CVP analysis in, 80–81
 JIT in, 716
 job costing in, 101, 122–23
 overhead cost variances in, 285–87
 process costing in, 101
 Setup time, 715
 Sherman Act, 451
 Short-run pricing decisions, 435
 Shrinkage costs, 704
 Simple regression analysis, 352
 Single-rate cost allocation method,
 544–47
 Slope coefficient, 342
 Source documents, 104, 105, 106
 SPC. *See* Statistical process control
 Special orders, one-time-only, 394–96
 Specification analysis, 369–71
 Splitoff point, 577
 Spoilage
 abnormal, 646, 656
 defined, 645
 inspection and, 652–54
 job costing and, 655–56
 normal, 646, 652–54, 656
 process costing and, 647–52
 types of, 646
 Spreadsheets, sensitivity analysis using,
 73, 74
 SQC. *See* Statistical quality control
 Staff management, 13
 Stand-alone cost-allocation method, 557
 Stand-alone revenue-allocation
 method, 561–62
 Standard costing
 accounting for variances, 634–35
 applicability of, 242
 computations under, 633–34
 developing budgeted variable
 overhead cost rates, 264–65
 fixed overhead costs in, 279
 implementing, 241–42
 information technology and, 241
 overhead cost management and, 276

for process costing, 632–35
 simplified, 718–26
 spoilage and, 661–63
 Standard costs, 235, 240–41
 implementing, 241–42
 Standard error of the estimated coefficient, 368
 Standard input, 235
 Standard price, 235
 Standards, 234–35, 361–62
 Static budgets, 228–30
 Static-budget variances, 228–30, 520
 Statistical process control (SPC), 675
 Statistical quality control (SQC), 675
 Step cost functions, 357
 Step-down method of cost allocation, 551–53
 Step fixed-cost function, 358
 Step variable-cost function, 357
 Stockholder's equity, 815
 Stockout costs, 704
 Strategic analysis
 of operating income, 478–85
 Strategic business units (SBUs), 475–76
 Strategic cost management, 5
 Strategic decisions, management accountant and, 5
 Strategic factors, in outsourcing decisions, 399–400
 Strategic plans, 184
 Strategy, 5
 applying five-step decision-making framework to, 485–86
 balanced scorecard approach to, 470–78
 budgets and, 184
 cost leadership, 468–69
 defined, 467–69
 evaluating success of, 477–78
 levers of control and, 826–27
 product differentiation, 468
 Strategy map, 471–72
 Subsidiary ledgers, in normal job-costing system, 114–17
 Substitutable inputs, variances for, 525–28
 Subunit, 821
 Success factors, 7–8
 Sunk costs, 410–11
 Super-variable costing, 312
 Supplier-managed inventory, 714
 Suppliers
 bargaining power of, 468
 JIT purchasing and, 712–13
 Supply-chain analysis, 7
 Supply chains, 7, 713–14
 Support departments, 543
 allocating costs of, to operating departments, 543–47
 multiple, allocating costs of, 550–57

T

Target costing, 436–41
 achieving target cost per unit, 440–41
 perceived value and, 439
 Target cost per unit, 440–41
 Target net income, income taxes and, 70–72

Target operating income, 69–70, 440
 Target pricing, 439–41
 competitor analysis, 439
 cost-plus pricing and, 447
 implementing, 440–41
 value-chain analysis and cross-functional teams, 442–43
 value engineering and, 441
 Target rate of return on investment, 445–46
 Tariff laws, 452
 Taxation, 13
 after-tax cash flows, 750–51
 multinational transfer pricing and, 791–94
 Tax reporting, capacity utilization and, 322–23
 TDABC. *See* Time-driven activity-based costing
 Team-based compensation, 823–24
 Teams, 13, 442–43
 Technical considerations, in accounting, 12
 Technology
 EDI, 109
 information, 30, 241
 for job costing, 109–10
 Terminal disposal of investment, 755
 TFP. *See* Total factor productivity
 Theoretical capacity, 314–15
 Theory of constraints (TOC), 686–89
 Throughput margin, 686
 Throughput costing, 312
 Time, 8
 average waiting time, 683
 balanced scorecard and, 688–89
 as competitive tool, 680–81
 costs of, 684–86
 customer-response, 8, 681–82
 manufacturing cycle, 681
 on-time performance, 681–82
 Time-driven activity-based costing (TDABC), 160
 Time drivers, 682–84
 Time horizon, 344
 of performance measures, 814–15
 of pricing decisions, 435–36
 Time period, for computing indirect-cost rate, 103–4
 Time-series data, 349
 Time value of money, 741
 TOC. *See* Theory of constraints
 Total assets available, 815
 Total assets employed, 815
 Total costs, 35–36
 Total factor productivity (TFP), 494
 Total-overhead variance, 278
 Total quality management (TQM), 8
 Total revenues, 64
 Total variables costs, 64
 TQM. *See* Total quality management
 Transfer prices
 cost-based, 781, 785–87
 defined, 780
 hybrid, 781, 787–789
 illustration of, 781–83
 market-based, 781, 784–85
 prorating difference between maximum and minimum, 788

Transfer pricing, 774–75, 780–83
 dual pricing, 789
 general guidelines for, 790–91
 multinational, and tax considerations, 791–94
 Transferred-in costs, 621–26
 FIFO method and, 624–25
 point remember about, 625–26
 weighted-average method and, 622–23
 Treasury, 13
 Treasury costs, 506
 Trial-and-error approach, in linear programming, 417–18
 Trigger points, 719, 722–24

U

Uncertainty, 75, 84–86, 682
 Underabsorbed (overabsorbed) indirect costs, 118
 Underallocated indirect costs, 118
 Underapplied (overapplied) indirect costs, 118
 Undercosting, 140
 Unfavorable variances, 230
 Uniform cash flows, 746–47
 Unit costs, 35–36
 Unused capacity
 defined, 486
 identifying, 487
 managing, 487–88
 Usage variances, 236

V

Value-added cost, 442
 Value-chain analysis, 6–7, 442–43
 Value chains, 6–7
 Value engineering, 442–45, 443–45
 Value streams, 726
 Variable-cost bases, 787
 Variable costing, 301–3
 breakeven points in, 327–28
 comparative income effects of, 308
 comparison of, with absorption costing, 303–9
 comparison of, with alternative costing methods, 312–14
 effect of sales and production on operating income under, 308
 Variable costs, 30–34, 75–76
 Variable overhead costs
 planning, 263–64
 variance analysis for, 282–84
 Variable overhead cost variances, 267–71, 276–78
 Variable overhead efficiency variance, 267–69
 Variable overhead spending variance, 269–70
 Variance analysis, 239–40
 activity-based costing and, 281–85
 benchmarking and, 244–46
 combined, 278
 for fixed overhead costs, 282–84
 4-variance analysis, 277–78
 organization learning and, 243–44
 of overhead cost variances, 276–78
 Variances, 47
 accounting for, 634–35, 722–24

control and, 241
 direct materials mix and yield,
 527–28
 direct materials price and
 efficiency, 526
 efficiency, 234–41
 favorable, 229–30
 fixed overhead cost, 271–76
 flexible-budget, 23033, 520–21
 input-price, 236
 journal entries for, 270–71, 274–76
 management uses of, 242–44
 market-share, 248–49
 market-size, 248–49
 multiple causes of, 242
 in nonmanufacturing and service
 settings, 285–87
 operating-income volume, 281
 performance measurement using, 243
 price, 234–41

production-input, 525
 production-volume, 272–73,
 278–81, 320–22
 rate, 236
 sales, 518–23
 sales-mix, 521
 sales-quantity, 521–23
 sales-volume, 231–33, 278–81
 static-budget, 228–30, 520
 for substitutable inputs, 525–28
 summary of, 239–40
 unfavorable, 230
 usage, 236
 use of, 227–28
 variable overhead cost, 267–71
 variable overhead efficiency, 267–69
 variable overhead spending,
 269–70
 when to investigate, 242
 Vendor-managed inventory, 714

W

WACC. *See* Weighted-average cost of
 capital
 Waste management, 659
 Web-enabled budgeting, 198
 Weighted-average cost of capital
 (WACC), 812
 Weighted-average process-costing
 method, 614–16, 620–21,
 622–23, 649
 Weighted Shapley value method, 563
 Working capital, 753, 755
 Work-in-process inventory, 37, 116
 in FIFO method, 617–19
 process costing and, 609–13
 Work in progress, 37
 World Trade Organization (WTO), 452
 Write-off to costs of goods sold
 approach, 121
 WTO. *See* World Trade Organization