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
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

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
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
INDEX • 859

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
Hewai & 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/interactive Corp, 818
IBM, 8, 202, 397, 487, 827
IEA, 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
Mobile, 186
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
Norvatis 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

R
Renault-Nissan, 433
Ricoh, 8
Ritz-Carlton, 182–83
Royal Dutch Shell Group, 606–7

S
Saatchi and Saatchi, 36, 100
Samsung, 346, 399, 739, 757
Sandoz, 241, 280, 318
Sanoﬁ (Sanofi), 241, 280, 318
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, 278, 519, 672, 678, 680
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, 643
Volkswagen, 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
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 direct-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
Appraisals, 673
Approved measure of costs, 451
Assets, long-term, 816–18
Assignment, 190–93
Average waiting time, 683
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-cost levels, 149
Behavioral considerations, in accounting, 12
Belief systems, 827
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
downsizing and, 486–88
dynamics of, 183–86
challenges of administering, 187
cost of goods sold, 195
defined, 184
direct material, 192–93
delayed 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, 360–561
Business function costs, 395
Business functions, 6–7
Byproducts, 578, 589–92
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
Capacity utilization, 315
CEO. See Chief executive officer (CEO), 13–14
Chief executive officer (CEO), 13–14
Chief accounting officer, 13–14
Chief financial officer
Chartered Institute of Management Accountants (CIMA), 18
Chief accounting officer, (CEO), 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
time theory, 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, 537–58
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
equivalent 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
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
direct material, 37
different types of, 12
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,
Current cost, 815–16
Cross-sectional data, 349
effectiveness of, 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 making
analyzing relevant information, 47–48
applying to strategy, 486
capital budgeting, 740–41
choosing output levels, 397–401
cost-benefit approach to, 12
equipment-replacement, 410–11
eight-step process, 9–11, 144–45, 392,
information and, 391–92
irrelevance of joint costs for, 587–89
to manage customer profitability,
profitability of, 502–3
Customer satisfaction, nonfinancial
target operating income, 69–70
target net income and income taxes,
target sales, 406–10
to advertise, 72
to advertise, 12
equipment-replacement, 410–11
innovation, 10
insourcing-versus-outsourcing,
pricing. See Pricing decisions
product-mix, 45, 405–6
sell-or-process-further, 587–88
Decision models
comparing benefits and costs, 775
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 systems
applying to strategy, 486
capital budgeting, 740–41
decision making, 9–11, 144–45, 392,
information and, 391–92
irrelevance of joint costs for, 587–89
to manage customer profitability,
profitability of, 502–3
Customer satisfaction, nonfinancial
target operating income, 69–70
target net income and income taxes,
target sales, 406–10
to advertise, 72
to advertise, 12
equipment-replacement, 410–11
innovation, 10
insourcing-versus-outsourcing,
pricing. See Pricing decisions
product-mix, 45, 405–6
sell-or-process-further, 587–88
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, 104
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
doing 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
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, 283–87
Overhead rates, budgeted fixed, 271–72
Overhead records, 116
Overtime premium, 44

Pareto diagrams, 676
Partial productivity, 493, 494–95
Past costs, irrelevance of, 410–11
Payroll 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
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, 43, 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, 43, 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
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, 531–53
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
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
Total factor productivity (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