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What ethics lie Beyond Oil?"

Gia Chevis and Marty Stuebs

Vol. 30, Issue 3-4 (2012), pp. 307-324

Abstract: Companies' responsibilities for safety are important social and environmental welfare concerns. This fictional case—inspired by actual events—presents a capital investment decision intended to improve oil refinery safety. Beyond Oil (BO), Inc. has a recently-acquired refinery that is in need of extensive modernization and repair. The case analysis requires you to integrate capital investment analysis methods with consideration of ethical responsibilities. You have the opportunity to consider how to incorporate both uncertainty and qualitative/strategic information into a conventional discounted cash flow (DCF) analysis and to weigh competing claims and conflicting incentives in order to make a recommendation.

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Teaching managerial responsibilities for internal controls: Perception gaps between accounting and management professors.

Karen C. Miller, Thomas Y. Proctor, and Benjamin Fulton
Vol. 31, Issue 1 (2013), pp. 1-16

Abstract: An organization needs a proper managerial tone to maintain a sound control environment. However, managers cannot support a control environment they do not understand. This misunderstanding generates a perception gap between corporate managers and auditors concerning internal control responsibilities, which may extend to academia as well. This research examines the perceptions of accounting and management professors concerning the understanding of who is ultimately responsible for *establishing and maintaining internal controls over financial reporting* and finds a statistically significant difference of opinion between the two groups. A large number of management professors surveyed relegate this role to internal auditors instead of management. These findings indicate management professors may not be fully aware of the responsibilities placed on managers of publicly traded companies for internal controls over financial reporting by the Sarbanes–Oxley (SOX) Act of 2002. The survey also finds a statistically significant difference in the perceptions of accounting and management professors concerning where the topic of internal controls should be taught and who is most qualified to teach internal controls to non-accounting business majors. This disconnect between management and accounting professors could potentially generate a business curriculum that leaves non-accounting business majors with little or no exposure to the roles and responsibilities of managers concerning internal controls over financial reporting. This research highlights the important role of accounting professors to help minimize this disconnect and provides specific recommendations to improve the exposure necessary for non-accounting business majors.

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International Divider Walls.

Anne-Marie Kruis and Lineke Sneller
Vol. 31, Issue 1 (2013), pp. 31-52

Abstract: The subject of this teaching case is the Enterprise Resource Planning (ERP) system implementation at International Divider Walls, the world market leader in design, production, and sales of divider walls. The implementation in one of the divisions of this multi-national company had been successful, and now the Chief Information Officer (CIO) was asked to advise the board of directors on the next step in the worldwide roll out of the ERP system. A choice had to be made between a centrally managed ERP option, and an option in which each of the divisions set up its own ERP project. As a student, you will assume the role of the CIO and present to the board a recommendation on the ERP roll out. You will have to combine your theoretical knowledge of the fields of strategic management, management accounting and control, and IT alignment and identify the important steps and issues pertaining to implementing an ERP system. Moreover, you will carry out a qualitative and quantitative analysis of public and internal financial and non-financial data to critically evaluate how these data affect the ERP implementation.

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The budgetary interview: Intentional learning for students in governmental and non-profit accounting.

Larita Killian
Vol. 31, Issue 3 (2013), pp. 350-362

Abstract: Learning-to-learn skills are critical to the future success of accounting students. This paper reports on a budgetary interview exercise that helps students develop as intentional learners. Students select a government or non-profit agency to investigate, arrange an interview with an agency official to discuss the budgetary process, write a technical paper on what was learned, and record their reflections on the experience. The budgetary interview exercise was implemented with undergraduate students in governmental and non-profit accounting courses over four academic years (one course per year). Effectiveness of the exercise was assessed via content analysis of student papers and reflections. Results indicate the exercise was highly effective in helping students develop intentional learning skills. Furthermore, students successfully connected classroom material to “real-world” practice, and most students reflected on potential careers in governmental or non-profit sectors. Appendices provide materials that instructors may use to implement this exercise.

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Revealing Money’s Time Value.

Martin Stuebs
Vol. 29, Issue 1 (2011), pp. 14-36

Abstract: For the past decade Chemico Inc. has been pursuing a successful strategy producing an innovative type of plastic that is replacing steel in the production of cars. Chemico has plants around the world, and demand continues to grow. Operations have recently commenced at three new plants in China. You have obtained performance data for the three plants in the form of a Balanced Scorecard (BSC) in which each manager’s performance is compared against the company’s targets. As the Financial Controller for Chemico it is time for you to evaluate the three plant managers and distribute the bonus pool between them.

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Chemico: Evaluating performance based on the Balanced Scorecard.

Monte Wynder
Vol. 28, Issue 3/4 (2010), pp. 221-236

Abstract: For the past decade Chemico Inc. has been pursuing a successful strategy producing an innovative type of plastic that is replacing steel in the production of cars. Chemico has plants around the world, and demand continues to grow. Operations have recently commenced at three new plants in China. You have obtained performance data for the three plants in the form of a Balanced Scorecard (BSC) in which each manager’s performance is compared against the company’s targets. As the Financial Controller for Chemico it is time for you to evaluate the three plant managers and distribute the bonus pool between them.

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A Note on Bundling Budgets to Achieve Management Control.

Anthony D. Nikias, Steven T. Schwartz, Richard A. Young
Vol. 27, Issue 3 (2009), pp. 168-184

Abstract: By its very nature, management control research can be complex and difficult to understand,

and hence challenging to introduce into the classroom. Nevertheless, it is important for accounting instruction to retain a connection between teaching and research. This note provides guidance on how recent findings in the theory of management control can be introduced into the classroom. The general approach is to present findings in the academic literature using a combination of numerical examples and classroom experiments. We use this two-pronged approach to illustrate that the bundling of budget proposals mitigates management they in a setting where control issues arise because subordinates are privately informed and self-interested. In our experience this approach stimulates student interest and increases the likelihood of successful implementation in undergraduate and graduate classes.

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A Comparison of Academic Performance in Traditional and Hybrid Sections of Introductory Managerial Accounting.

J. Howard Keller, John M. Hassell, Sally A. Webber, James N. Johnson
Vol. 27, Issue 3 (2009), pp. 147-154

Abstract: This paper reports the results of a comparison of academic performance (course grade) in two sections of a principles of managerial accounting course, one held in a traditional format (classes held two days per week in a classroom setting) and one in a hybrid format (one class period held in a classroom setting and one in a web-based environment). After controlling for other factors, academic performance was not significantly associated with class delivery format (traditional or hybrid). Control variables significantly associated with course performance were SAT Score and performance in a prerequisite accounting course. Gender, Transfer status, and age were not significant if SAT Score and prerequisite grade were included in the model. The findings of this study are relevant to accounting educators who are contemplating using hybrid-type courses or who may want to design studies to evaluate the effectiveness of hybrid courses.

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Student Perceptions about Computerized Testing in Introductory Managerial Accounting

Barbara Apostolou, Michael A. Blue, and Ronald J. Daigle
Vol. 27, Issue 2 (2009), pp. 59-70

Abstract: This study reports on the implementation of computerized testing in an introductory managerial accounting course. Students were surveyed about their perceptions of computerized testing after taking two major computerized exams. Results show that students perceived both negative and positive aspects about computerized testing, and overall perceptions tended to be more negative than positive. Clear differences in student perceptions existed when analyzing results by instructor, indicating that individual instructors can manage student perceptions about computerized testing. Suggestions for addressing negative student perceptions are provided for accounting educators who are considering the use of computerized testing in introductory courses.

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Ethics and Professionalism: Bringing the Topic to Life in the Classroom

M. Elizabeth Haywood and Donald E. Wygal
Vol. 27, Issue 2 (2009), pp. 71-84

Abstract: In 2002, the Accountants-in-Business section of the International Federation of Accountants (IFAC) issued the Competency Profiles for Management Accounting Practice and Practitioners report. This "Birkett Report" presents a framework for competency development during the careers of management accountants (MAs). On the basis of this theoretical report, a hypothesis has been formulated about the sequence in which each of 38 competencies is expected to become important to the MA during his/her career. Results presented here show that practicing MAs see the same sequence

of competencies during their careers as is presented in the theoretical framework, supporting Birkett's competency model. The results indicate that there may be three groups of competencies: basic, advanced, and highly advanced. It may be said that the basic competencies need to be present at graduation. The advanced competencies may need to be present some years after the start of the MAs career. The highly advanced skills may be needed for Chief Financial Officer (CFO) candidates. These results suggest that advanced and highly advanced competencies are those that could be taught in continuing professional education (CPE) programs, while university education programs should focus on developing basic competencies.

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Instructional Case: Blue Ridge Revisited—Integrating ABC and OROS Quick® software

Edward Blocher, Karen Shastri, David E. Stout, and Monte R. Swain
Vol. 27, Issue 2 (2009), pp. 85-103

Abstract: Blue Ridge Manufacturing Company produces customized towels for the US sports market. Recently, competitive pressures motivated the company to institute an activity-based costing (ABC) system for allocating manufacturing support costs to its major product lines. Management is pleased with the manufacturing cost information that the ABC system is providing and is beginning to use the ABC data to drive process improvements. To secure additional gains, management is now interested in conducting a customer profitability analysis. Currently, the company allocates its Selling, General, and Administrative (SG&A) costs to products and/or customers on the basis of sales volume (units). The question posed to you, in your role as a member of a team of managerial accountants, is whether the SG&A costs can be more accurately assigned to customer groups ("large," "medium," and "small," as determined by sales volume). To this end, you have been asked to build and interpret the results of an ABC model that assigns SG&A costs to each of these three customer groups. Blue Ridge has recently implemented a new software system that includes an ABC module (called OROS Quick®), which you will use to build your cost assignment model and to respond to a number of managerial questions based on the cost analysis you perform.

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Out-West Products, Inc.: A Financial Modeling and Decision Analysis Case

Kreag Danvers and Charles A. Brown
Vol. 27, Issue 1 (2009), pp. 40-57

Abstract: The Out-West Products, Inc. instructional case requires students to build a comprehensive financial model to support planning and decision-making. Part 1 of this team-oriented Excel project requires students to construct a baseline model, while Part 2 provides sensitivity analysis and decision-making extensions. The case incorporates cost-volume-profit, accounting income versus cash flow, and benchmarking analyses. Case objectives provide students with a realistic financial modeling experience that includes: building models; linking data across financial statements; testing solutions and analyzing scenarios; and improving critical thinking skills. These objectives closely align to the AICPA Core Competency Framework for Entry into the Accounting Profession. The case can be used in introductory and upper-division managerial accounting, upper-division cost accounting, and MBA managerial accounting courses, and can be modularized to achieve instructor-specific objectives.

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An Empirical Test of Birkett's Competency Model for Management Accountants: Survey Evidence from Dutch Practitioners

Jan M. Bots, Edward Groenland, and Dirk M. Swagerman
Vol. 27, Issue 1 (2009), pp. 1-13

Abstract: In 2002, the Accountants-in-Business section of the International Federation of Accountants (IFAC) issued the Competency Profiles for Management Accounting Practice and Practitioners report. This "Birkett Report" presents a framework for competency development during the careers of management accountants (MAs). On the basis of this theoretical report, a hypothesis has been formulated about the sequence in which each of 38 competencies is expected to become important to the MA during his/her career. Results presented here show that practicing MAs see the same sequence of competencies during their careers as is presented in the theoretical framework, supporting Birkett's competency model. The results indicate that there may be three groups of competencies: basic, advanced, and highly advanced. It may be said that the basic competencies need to be present at graduation. The advanced competencies may need to be present some years after the start of the MAs career. The highly advanced skills may be needed for Chief Financial Officer (CFO) candidates. These results suggest that advanced and highly advanced competencies are those that could be taught in continuing professional education (CPE) programs, while university education programs should focus on developing basic competencies.

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University Tees: Introducing Fundamentals of Management Accounting in a Small Business

Peter C. Brewer, Michael A. Garamoni, and Joseph Haddad
Vol. 26, Issue 2 (2008), pp.91-102

Abstract: This case introduces sophomore-level managerial accounting students to pricing decisions. The case also offers an opportunity to discuss the concepts of business strategy, business risk, and cost drivers. Students draw on concepts such as relevant costing, breakeven analysis, and contribution format income statements to recommend price quotes for a small business.

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Incorporating Real-Options Analysis into the Accounting Curriculum

David E. Stout, Howard Qi, Yan (Alice) Xie, and Sheen Liu
Vol. 26, Issue 4 (2008), pp. 213-230

Abstract: In this paper, we argue that accounting curricula should be expanded to cover the topic of real options. Our argument relies on reference to the [American Institute of Certified Public Accountants (AICPA) (1999) (Core Competency Framework, New York, NY: AICPA Accessed 21.08.08], the framework for curriculum change espoused by [Arya, A., Fellingham, J. C., & Schroeder, D. A. (2003). An academic curriculum proposal. Issues in Accounting Education, 18(1) 29–35], a global study of core competencies for management accountants [International Federation of Accountants (IFAC), (2002). Competency profiles for management accounting practice and practitioners. New York, NY: International Federation of Accountants], a global capital-budgeting "best practices statement" [International Federation of Accountants (IFAC), (2008). International good practice guidance: Project appraisal using discounted cash flow. New York, NY: International Federation of Accountants], current specifications of the CMA exam [Institute of Management Accountants (IMA), (2008). Certified management accountant (CMA) learning outcome statements (effective 07/01/04), updated 07/2008. Accessed 29.10.08.], and elements of the Albrecht and Sack report [Albrecht, W. S., & Sack, R. J. (2000). Accounting education: Charting the course through a perilous future. Accounting education series, Vol. 16. Sarasota, FL: American Accounting Association]. We make special reference to the linkage of the topic of real options to two broad educational goals: decision-modeling and risk analysis. Existing resources that accounting faculty can use to incorporate real options into the curriculum are limited. As a response, we provide an extended example that accounting educators can use to cover the topic of real options. This example uses a set of binomial trees (one for cash inflows and another for cash outflows). The step-by-step approach presented in this paper allows students without a technical/mathematical background to extend discounted-cash-flow (DCF) decision models (e.g., NPV) to incorporate real options that are embedded in proposed investment projects.

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Cost-Allocation Decisions in Member Controlled Country Clubs: A Case Analysis

Kimberly A. Dunn and Somnath Bhattacharya
Vol. 25, Issue 3 (2007), pp.118-136

Abstract: Boca Vista Golf and Country Club (BVGCC), which operates as a not-for-profit organization, is a member-owned country club in South Florida. Since no mark-up for profit is included in member-owned clubs, total budgeted revenues (including member dues) must equal total budgeted costs. Accordingly, if net costs are used to determine dues for each membership category, cost-allocation decisions have a direct impact on member dues (product price). BVGCC is also subject to competitive pressures from public and semi-private golf courses. The case provides an overview of these competing forces and requests the service of a consultant to devise equitable and effective cost-allocation schemes for BVGCC.

Completion of the case should increase understanding of cost allocations that are cost-driver (direct labor hours) based and incremental cost driven, highlight the manner in which these decisions affect product price, and highlight the manner by which dues are often determined in practice, such as on the basis of what the market can bear.

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The Coffee Pot: A Management Control Exercise

Norman T. Sheehan
Vol. 25, Issue 4 (2007), pp. 193-206

Abstract: Managers use management control systems to actively steer their organizations towards strategic success. The Coffee Pot is a short, in-class exercise that provides a hands-on opportunity for students to diagnose and solve an organization’s management control issues using Simons’ Levers of Control Framework. The exercise features a chain of coffee shops, a business most students should be familiar with, and asks students to discuss why the new CEO is having trouble improving her firm's performance, even after she has introduced a winning strategy.

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Enabling the Management Accountant to Become a Business Partner: Organizational and Verbal Analysis Toolkit

Frances A. Kennedy and James E. Sorensen
Vol. 24, Issues 2-3 (2006), pp. 149-171

Abstract: Research shows that management accountants are often members of teams established to improve processes and solve complex problems. This responsibility requires that accountants demonstrate the ability to organize and interpret verbal and quantitative information, as well as communicate and collaborate in a team environment. Common student complaints about teamwork are that too often some team members do not pull their weight and that some meetings do not accomplish anything.

This paper addresses several objectives, the first of which is to describe organizational techniques that enable teams to function effectively. A framework for problem-solving commonly used in organizations that can be adapted for classroom use is then presented followed by a description of verbal analysis tools and an illustration of how each contributes to organizational decision making within the problem-solving framework. The paper concludes by providing insights into how these techniques can be integrated in taxation, information systems, audit, financial reporting, and management accounting

courses.

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Solving an International Corporation's Travel Dilemma

Barbara Charkey and Linda Hadden
Vol. 24, Issues 2-3 (2006), pp.134-148

Abstract: This instructional case, using the New Hampshire subsidiary of a London-based company, examines a financial reporting manager's actual role in minimizing corporate travel expense and the related record keeping necessary to ensure ISO 14001 compliance. Students must use both quantitative and non-quantitative data to evaluate several alternatives while considering corporate policy ramifications of their 'accounting' decision. This case is designed primarily for the introductory managerial accounting course; and if used early in the semester, will reinforce course vocabulary. In addition, the case can be used later in the semester to provide a realistic application illustrating relevant costing and decision-making.

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The Teaching of Transfer Pricing: Theory and Examples

Mark Tippett and Brian Wright
Vol. 24, Issue 4 (2006), pp.173-196

Abstract: This paper presents a unified framework for teaching transfer pricing at the advanced undergraduate or Masters levels. The approach is based on the economic transfer pricing model of Hirshleifer [Hirshleifer, J. (1956). On the economics of transfer pricing. Journal of Business, 29 (July), 172–184; Hirshleifer, J. (1957). On the economics of the divisionalized firm. Journal of Business, 29 (April), 96–108] but uses a series of numerical examples to "flesh out" the principles arising from the purely diagrammatic approach taken by Hirshleifer. We also develop numerical examples that illustrate the effects that removing the frictionless markets assumptions (that underscore the Hirshleifer approach) can have on optimal transfer pricing rules. The focus here is on the lack of goal congruence introduced by agency considerations and the role of accounting procedures in alleviating these agency issues. The teaching materials embodied in this article were developed "at the coalface" and have been successfully used by the authors in advanced undergraduate managerial accounting classes.

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Goliath Corporation: An instructional case in transfer pricing policy

Charles D. Bailey and Denton Collins
Vol.23, No. 4, 2005 pp.264-276

Abstract: This case illustrates some of the issues associated with setting firms' transfer pricing policies. The simulation requires students to assume the roles of top management and divisional management for Goliath Corporation in negotiating transfer prices. The student playing the role of top management first selects a transfer pricing policy from four possible mechanisms: market-based, cost-based, negotiated, and dual-pricing. Given the top manager's policy choice, divisional managers are then constrained to use that policy as they decide whether to purchase internally or externally based on their respective negotiations. In each negotiation, there is an ex ante best decision for Goliath as a whole. The case is thus useful in demonstrating how managers' transfer price policy choices can lead to bad sourcing decisions.

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Growth Rates as Measures of Financial Performance

Sue P. Ravenscroft
Vol.23, No. 1, 2005 pp. 67-78

Abstract: This teaching note provides a vehicle to help students understand, calculate, and communicate growth rates as part of the process of financial performance evaluation. The note also makes use of the graphic capabilities and functions available within Excel. Graphics are widely used by companies in their annual reports to highlight financial performance and to focus on change over time. Many companies also report 3, 5, and 10-year growth rates for selected financial data in their annual reports. Alternative approaches for calculating growth rates are presented with a focus on understanding the differences that can exist in the resulting calculated values. The underlying biases and the advantages of each approach are discussed. A project appropriate for classroom use in a Financial Accounting or Financial Statement Analysis course is included in an Appendix.

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Compass Point University: How Many Spring/Summer Classes Should Be Offered?

Sue P. Ravenscroft
Vol.22, No. 4, 2004 pp. 345-355

Abstract: This mini-case poses the issue of marginal costing for a service that occurs regularly, but is not the primary function of the organization. The setting is a university and the service is courses offered during spring/summer semesters, a situation familiar to many students. In this mini-case, students must decide whether spring/summer courses are analogous to a special order or whether such costs should be considered integral to the institution's programming. Students are asked to identify relevant costs and revenues and to devise a decision rule that takes into consideration the implications of various cost assumptions.

After completing the case students should be able to apply the concepts of incremental revenues and costs in decision-making. They should also be able to justify using incremental costing in a recurring setting. Students will be able to explain how managerial incentives, in the form of fixed budgets, can interfere with the application of incremental cost and revenue concepts. During class discussion, the broader implications of changing institutional responsibility reporting and budgeting policies may be raised. This case is suitable for introductory courses at both graduate and undergraduate levels and in the first upper-division undergraduate course in managerial accounting.

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Using a Stakeholder-Based Process to Develop and Implement an Innovative Graduate-Level Course in Management Accounting

David E. Stout and Robert N. West
Vol.22, No. 2, 2004 pp. 95-118

Abstract: Accounting programs have been challenged (e.g., W.S. Albrecht, R.J. Sack, Accounting Education: Charting the Course Through a Perilous Future, Accounting Education Series, vol. 16, American Accounting Association, Sarasota, FL, 2000; AICPA Core Competency Framework for Entry into the Accounting Profession, AICPA, New York, NY, 1999) to create innovative, cross-disciplinary courses/curricula and to tie such offerings to institutional strategic plans (e.g., I.T. Nelson, J.A. Bailey, A.T. Nelson, Issues in Accounting Education, 13 (1999) 301; AACSB International, Standards for Accounting Accreditation (April 21, 2000), AACSB, St. Louis, MO, 2000; AACSB International, Final Draft ?Eligibility Procedures and Standards for Accounting Accreditation 2004). This paper provides details about both the process used to develop an innovative graduate-level accounting course and the modules (Strategic Cost Management, Planning, and Performance Measurement) comprising the

course. The paper therefore describes how one accounting program responded to the aforementioned challenges. At a strategic level, the paper discusses a three-stage process (planning, implementation, and assessment) that guided new-course design. Of particular interest is the impact of our business school's Strategic Plan and the AICPA Core Competency Framework for Entry into the Accounting Profession (AICPA, New York, NY, 1999) on the development of educational objectives for the new course. Selected implementation issues (e.g., resource commitments needed to support delivery of the new course) are discussed. We also provide details regarding an assessment plan for the course and how data collected for the first three offerings of the course have guided course improvements. Because of its focus on process, this paper should be of interest to other accounting educators, particularly those interested in a stakeholder-based approach to developing and implementing new courses and curricula.

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Cost-Volume-Profit Analysis Under Uncertainty

James A. Yunker and Penelope J. Yunker
Vol.21, No. 4, 2003 pp. 337-363

Abstract: Although a substantial research literature on cost-volume-profit (CVP) analysis under uncertainty has accumulated since the seminal contribution of Jaedicke and Robichek (1964), this literature has been almost entirely ignored by authors of managerial and cost accounting textbooks. This is unfortunate because owing to the extreme simplicity of the basic deterministic CVP model, students are better able to understand the elements added by generalizing the model to an uncertainty situation. A CVP model that incorporated uncertainty would therefore provide a good entry point into the important but complicated topic of decision-making under uncertainty. This paper sets forth, analyzes and applies a CVP under uncertainty model specifically geared toward classroom instruction. It is a simpler model than many of those developed in the research literature, but it does incorporate one advanced component: an "economic" demand function relating the expected sales level to price. Price is neither a constant nor a random variable in this model but rather the firm's basic decision variable. The simplicity of the model permits analytical solutions for five "special prices": (1) the highest price which sets breakeven probability equal to a minimum acceptable level; (2) the price which maximizes expected profits; (3) the price which maximizes a Cobb-Douglas utility function based on expected profits and breakeven probability; (4) the price which maximizes breakeven probability; and (5) the lowest price which sets breakeven probability equal to a minimum acceptable level. An example of application is presented in which the model is applied to pricing continuing education programs offered by Center for Management and Professional Development at the authors' university.

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On the Benefits of a Mathematical Solutions Approach to Time-Value-of-Money Instruction: Arguments and Evidence

Stephen J. Dempsey
Vol.21, No. 3, 2003 pp. 239-265

Abstract: This paper proposes several educational benefits to be derived by abandoning the traditional textbook focus on time value of money (TVM) tables and requiring student-generated mathematical solutions to TVM problems. These include: (1) greater reinforcement and appreciation for the theoretical concepts underlying TVM analysis; (2) improved professional preparation for dealing with real-life TVM applications; and (3) a better backdrop from which to introduce more sophisticated TVM topics calling for a requisite mathematical understanding (e.g., effective interest rates and exponential growth between discrete interest periods). Comparative computational efficiency and learning effectiveness are empirically evaluated in an experiment on two groups of students: those who reinforced their learning using a mathematical approach and those who reinforced their learning using tables. Students that employed the mathematical approach scored significantly higher on a common achievement test and also completed the tests in significantly less time. A post-experimental attitudinal questionnaire revealed

statistically significantly stronger student preferences for the mathematical approach.

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Speed Splasher: An Interactive, Team-Based Target Costing Exercise

Joseph F. Castellano and Saul Young
Vol. 21, No. 2, 2003 pp. 149-155

Abstract: Target costing is an important strategic cost management topic. The competitive business environment requires firms to produce products with the quality and functionality demanded by customers while at the same time selling them for prices largely determined by the market. Conventional cost management and cost-plus pricing strategies are not very effective in this new environment. The designed-centered and market-driven focus of the target costing process and the inability of firms to trade off quality and functionality to achieve target costs are concepts not always easy to demonstrate in an accounting exercise. To overcome this problem, the authors have developed an interactive, in-class, team-based target costing exercise. This problem involves students in the dynamic process required to bring a product to market that simultaneously meets customer requirements for quality, functionality, and price-cost, and the firm's target profit requirement. The authors describe and explain this exercise, and provide guidelines for conducting the exercise in class.

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Performance Measures in the Media and Software Division of Kao (Singapore) Private Limited

Nam Sang Cheng, Li Li Eng, Y. T. Mak, and Chee Leong Chong
Vol. 21, No. 2, 2003 pp. 157-184

Abstract: This paper presents a case that requires students to identify the corporate objectives and critical success factors of the media and software division of a company and propose performance measures that should motivate employees to work towards these objectives. The case provides students with an opportunity to practice managerial accounting decision-making within the context of corporate strategy. This case illustrates the need for a variety of criteria (both financial and non-financial) for evaluating performance within a firm or business unit and provides the opportunity to discuss the potential behavioral issues arising from management of the division.

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Strategic Analysis of Operating Income: An Extension to Horngren, Foster and Datar

Parvez R. Sopariwala
Vol.21, No. 1, 2003 pp. 25-42

Abstract: In the 10th edition of their Cost Accounting text, Horngren, Foster and Datar introduce the concept of strategic analysis of operating income by separating a company's operating income into growth, price-recovery, and productivity components. These components are then used to evaluate the success, or lack thereof, of a company's cost-leadership or product differentiation strategies. I extend their analysis of fixed capacity costs in the following manner. First, I suggest that the "long-term view" supported by activity-based costing might be more appropriate for determining the growth component instead of the "short-term view" supported by throughput costing and Goldratt and Cox in The Goal. Next, I introduce a new component called capacity underutilization into their formulation, which highlights the impact of (1) changing capacity costs related to unused capacities, (2) changes in available capacities between the years, and (3) changes in capacities used between the years.

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An Overview of Management Compensation

Luann J. Lynch and Susan E. Perry
Vol.21, No 1, 2003 pp. 43-60

Abstract: Accounting curricula should change to meet the evolving needs of business, including needs of the accounting profession. One increasingly complex element of the business environment is the appropriate design of management compensation systems. Concerns regarding the level of executive pay, the debate over stock options, the emphasis by the International Accounting Standards Board on determining appropriate accounting for share-based compensation, and the lack of current accounting standards regarding share-based compensation in most countries challenge our thinking regarding the accounting for and the design and evaluation of compensation alternatives. As future accountants, consultants, and financial managers designing and accounting for compensation plans, students must understand both the broader business issues surrounding the use of these contracts and the accounting, tax, and managerial issues associated with compensation alternatives. We provide a general discussion of different compensation mechanisms, their benefits and limitations, and their related financial, tax, and managerial accounting implications. In addition, we provide technical references to enable students to conduct a detailed investigation of each type of compensation to facilitate a rich, rigorous discussion in the classroom. We recommend using this paper in financial, tax, and managerial accounting courses to broaden students' understanding of all these issues beyond the more focused discussions typical in these courses.

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Instructional Case: Floating Investments

Paul Rouse and Leigh Houghton
Vol.20, Number 3, Summer 2002, pp. 235-247

Abstract: This case examines capital budgeting issues related to the construction and operation of a marina. The case requires students to identify the relevant cash flows and discount these to establish a net present value for the investment. Issues addressed through the case include incorporating inflation into cash flows and the choice of appropriate discount factors; i.e. nominal and real, tax issues relating to the treatment of cash and non-cash items, the determination of terminal values, and the impact of depreciation on after-tax cash flows. The case extended the student beyond a simple calculation of net present value to the derivation of an appropriate rental in the first year of operations to ensure that break-even is achieved. Further issues arising from this open up opportunities for broadening the discussion to risk management, simulations, and project management. The case is currently being used in an undergraduate, intermediate management accounting course.

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Financial Accounting Return on Investment and Financial Leverage

Gary A. Luoma and Earl A. Spiller Jr.
Vol.20, Number 2, Spring 2002, pp. 131-138

Abstract: This note presents a method for teaching the concept of financial leverage and its relationship to accounting rates of return. Typically, financial leverage is only briefly mentioned in introductory accounting textbooks, and it is rarely related explicitly to rates of return on total assets and on common stockholders' equity. Yet the concept is an important one for financial managers. We have developed and class tested a numerical illustration to explain in a conceptually sound manner why the two rates of return differ. Accounting instructors who share our view that financial leverage should be covered more thoroughly in the introductory accounting course will find this example to be a useful supplement. The example can also be used as a way to develop critical thinking skills or to enhance a user orientation.

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The Bakery: A Cross-Functional Case Study for Introductory Managerial Accounting

Stacy E. Kovar and Kristin Evans.
Vol.19, Number 4, Winter 2001, pp. 283-303

Abstract: This instructional case is designed to achieve four educational objectives: (1) to give students a more complete appreciation of the importance of considering accounting information along with marketing and economics-related information, avoiding a myopic focus on accounting data, (2) to give students practice in pricing, cost volume profit analysis (CVP) and outsourcing decisions, (3) to help students learn to build spreadsheets that are capable of what-if analysis, and (4) to provide an active learning experience that engages introductory accounting students. The Bakery is a non-profit organization whose primary function is to sell baked goods and beverages to students in a large campus residence hall complex. In completing the case, students utilize information provided about the costs and previous pricing structure of The Bakery, along with information they collect about competitors' product offerings, prices, and accompanying services, and their own knowledge of The Bakery's customers, college students and their parents, as a basis for making pricing decisions. Once they have completed the pricing analysis, students use the resulting variable costing income statement to perform CVP and to analyze a decision to potentially outsource The Bakery's operations.

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A Curvilinear Approach to Teaching Learning Effects for Cost Estimation

Dennis F. Togo.
Vol.19, Number 3, Fall 2001, pp. 211-223

Abstract: Where learning induced improvement is present, the learning curve describes an empirical relationship between output quantities and labor hours consumed. Even though estimating the learning curve is an important aspect of cost estimation, most managerial and cost accounting textbooks do not perform an analysis of historical data in specifying the learning model and its learning rate to predict labor hours consumed. Most textbooks introduce the log-linear learning curve model and then use variations of it to predict labor hours for specified output quantities given a common learning rate. While the logarithmic linear transformation of the underlying mathematical power function can be taught with spreadsheets, the more direct and appealing curvilinear data analysis of the innate power function can be just as easily performed. The analysis of curvilinear data to formulate a power function for learning and to estimate a learning rate makes the student acutely aware that not all cost behavior is linear. The Akamai Missile Company case illustrates a realistic and enriching data analysis for learning curves and their impact on cost estimation.

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Nine Ways for a Decision Maker to Use Theoretical Notions, with Special Reference to Teaching Agency Theory for Management Accounting

B.H.J. Verstegen.
Vol.19, Number 2, Summer 2001, pp. 119-127

Abstract: Management accounting curricula can be made more practical by including additional coverage of theory. When considering both theory and application as parts of management accounting curricula we ought, to give attention to the dissimilar ways in which the two are connected. In this note, nice ways in which a decision-maker might use theory are discerned. Each of these nice ways of applying theory is illustrated with examples from agency theory. As management accounting is concerned with providing information for decision making, the nice ways to apply theory should be

incorporated in management accounting curricula. A teaching tool is presented using agency theory as an example.

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Accountants for the Public Interest: Strategy Implementation and Performance Measurement for a Nonprofit Organization

Wayne G. Bremser
Vol. 19, Number 1, Winter 2001, pp. 75-86

Abstract: This case describes the strategic issues and operations of Accountants for the Public Interest (API), a national organization dedicated to making volunteer accounting services available to financially disadvantaged individuals and nonprofit organizations. API receives financial support from the accounting profession and has a national reputation in the nonprofit community. The case relates to performance measurement topics covered in undergraduate managerial and cost accounting courses, and it has also been used effectively in the MBA core managerial accounting course.

API's Board of Directors (BOD) is confronted with strategic planning and implementation issues during a period of change. Obtaining funding for operations and programs is the most important issue for API's Board of Directors. API's budgeting and performance measurement system may need improvement. A BOD member suggests the need for some measures of performance that would help assess how API is doing in implementing strategy and achieving goals. Students are asked to develop financial and nonfinancial measures relevant to API's strategy and show how their suggested measures would appear in a balanced scorecard. Students are asked to consider whether CPAs are obligated to provide volunteer accounting services to the community.

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An Experiential Approach to Learning About the Balance Scorecard

Wayne G. Bremser and Lourdes F. White
Vol.18, Number 3, Summer 2000, pp. 241-255

Abstract: The balance scorecard (BSC) is an integrated strategic performance management framework that helps organizations translate strategic objectives into relevant performance measures. This paper offers guidelines for implementing an experiential approach to learning about the BSC through the study of "real-world" organizations. This approach emphasizes hands-on experience with the team-based, cross-functional, and strategic aspects of management accounting designed to address several educational objectives, including: understanding organizational strategy and critical success factors; gaining insight into how to measure performance; and developing oral presentation and team-building skills. Specific examples of classroom materials to facilitate implementation of this approach in management accounting courses at both graduate and undergraduate levels are also offered.

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The Advantages of Teaching Three Production Volume Variances

James R. Martin
Vol.18, Number 1, Winter 2000, pp.35-50

Abstract: Although the relevance of production volume variances has been questioned in recent years, this paper argues that coverage of production volume variances should be expanded rather than eliminated from cost and managerial accounting courses. This expanded coverage should include introducing two variances in addition to the actual production volume variance illustrated in most cost and managerial accounting textbooks. The advantages of teaching the three variance approach are

discussed in the paper and supported with three examples that connect the master budget, standard cot analysis and the newer activity based cost analysis.

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Roz, Inc.: A Case for Extending Management Accounting Coverage to Managers' Information Acquisition Process

Chee W. Chow, Axel Schulz and Anne Wu
Vol.17, Number 4, Fall 1999, pp. 429-442

Abstract: Observers of the modern business environment have emphasized that if management accounting is to remain relevant to the realities of the 1990s and beyond, it has to evolve beyond the traditional "gathering, assimilating and reporting function" to encompass the processes whereby information reaches managers. The objective of this teaching case is to assist extending management accounting coverage towards this process. In both Australia and Taiwan, we have successfully used this case to supplement text and end-of-chapter materials at both the advanced undergraduate and graduate levels. The similarity of our teaching experiences between Australia and Taiwan, in conjunction with the generic nature of the case, suggest that it can be used in other national contexts with little or no modification.

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Reporting of Overhead Variances: A Cost Management Perspective

Chris H. Durden and Y.T. Mak
Vol.17, Number 2/3, Spring/Summer 1999, pp.321-331

Abstract: In this paper we argue that if cost management is the primary purpose of a costing system, as opposed to external reporting, then it is often appropriate to report overhead variances as a period cost, rather than prorating these variances to various accounts. Further, we argue that reporting variances as a period cost may be appropriate in some situations even if external reporting considerations underlie the design of the cost system. However, a review of the accounting treatment of overhead variances in major cost/managerial accounting textbooks indicates a clear preference for proration of overhead variance as a period cost (expensing). Textbooks typically argue that proration is theoretically more correct and expensing is only acceptable where the variance is immaterial.

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Activity-Based Management for Procurement: Case and Teaching Note

Zafar U. Khan, Mohsen F. Sharifi
Vol.16, Number 3/4, Summer/Fall 1998, pp. 525-544

Abstract: Abstract currently unavailable

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VIP Company: A Mini-Case for Reinforcing Students' Understanding of Sunk Costs, Ethics and the Role of Management Controls

Vidya N. Awasthi, Chee W. Chow and Paul D. Harrison
Vol.16, Number 3/4, Summer/Fall 1998, pp. 545-562

Abstract: Abstract currently unavailable

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Bulldog Printing: Cost Estimation and Information Elicitation Mini-Case and Teaching Notes

Linda M. Lovata, Maurice L. Hirsch, Jr. and Michael L. Costigan
Vol.16, Number 3/4, Summer/Fall 1998, pp. 563-583

Abstract: Abstract currently unavailable

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Cambridge Business Conferences: A Case Study of Strategic Cost Analysis

Malcolm Smith
Vol.16, Number 2, Spring 1998, pp. 357-364

Abstract: This case follows Shank & Govindarajan (1988) in developing a scenario which provides opportunities for both "relevant cost" and "strategic" analyses. The case focuses on the use of relevant costs in a practical decision-making framework. It requires a distinction between fixed, variable, sunk and discretionary costs and a facility with break-even analysis. Further, it highlights the importance of economic and marketing reality to cost-based decisions.

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An Approach to Teaching International Management Accounting and Control: Integrating Corporate Strategy, Organizational Structure and Culture

Clive Emmanuel, Helen Gernon, and Sidney J. Gray
Vol.16, Number 1, Winter 1998, pp.65-84

Abstract: The trend in teaching management accounting is to acknowledge explicitly changes in manufacturing and organizational settings to demonstrate the relevance of particular techniques and processes to students. The focus invariably remains firmly embedded in the domestic environment. When an international perspective is adopted, new and different dimensions are encountered which require issues like performance evaluation, transfer pricing, capital investment decisions and others, to be examined from a holistic approach. This paper discusses the learning objectives and content of one course which attempts to place traditional management accounting issues in the strategic, organizational and cultural contexts of the multinational corporation. Integration of these dimensions indicates that the analysis and examination of management accounting issues from an international perspective can be undertaken in a way which provides students with a richer learning experience.

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Rosalind Enterprises: A Mini-Case for Ensuring Student Mastery of Cost Behavior Concepts in Short-Term Decisions

Vidya N. Awasthi and Chee W. Chow
Vol.16, Number 1, Winter 1998, pp.139-145

Abstract: Cost behavior and its use in decision making is a fundamental part of all cost and managerial accounting courses. Yet, our experience is that students often accept treatment of differential costs and revenues, and the related emphasis on contribution margin, based on faith rather than understanding. In many cases even after solving problems considering fixed costs as irrelevant, they still express a great deal of intellectual conflict and doubts. Statements like "If the company only considers variable costs, how is it going to cover its fixed costs and make a profit?" and "All products should be made to bear their

fair share of all costs" are far from rare occurrences. Such statements reflect a less-than-thorough grasp of the uses and limitations of some key cost concepts and their use in decision making. This is a worrisome state of affairs because as managers, students will mostly see unit costs that lump together variable and fixed costs. Even when given a breakdown of costs by behavior, the information still may not be in a form needed to facilitate effective decision making. The aim of this case is to deepen student understanding of the uses and limitations of unit cost data that include averaged or allocated fixed costs. The case, which is best used as an introductory exercise to the topic area, focuses on a two-product situation where the profitability of both products is affected by changes with respect to one product. The accompanying teaching note shows how different types of questions asked by students can be used as the basis for an exciting and fruitful class discussion. While textbooks are full of problems like this case, their accompanying solutions in manuals typically do not go beyond the provision of the correct computations. Given this background, the contribution of this case is not in the presentation of a novel situation or problem. Rather, it is in showing how the discussion process of a typical, simple end-of-chapter problem can be structured to actively involve the students through layers of complexity to solidify their understanding of some key concepts.

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Motomobile Motors: A Live Case Project

A.J. Cataldo and S.E.Kruck
Vol.16, Number 1, Fall 1998, pp.147-162

Abstract: Break-even analysis and the related variable-costing-based approach to forecasting are used by most automobile manufacturers for decisions involving the establishment (or deferral) of additional retail dealerships. These additional retail dealerships may be proposed in market surveys, conducted every three to five years, which include socioeconomic/demographic data and other non-financial information. The following case study uses tabular summaries of some actual data developed by a manufacturer to assist in the decision to seek a dealer to build and operate an additional retail outlet. It illustrates some of the actual information and decision processes used in support of (or opposition to) the manufacturer's recommendation to build and operate an additional retail outlet. By considering both financial analysis and non-financial analysis, students expand their understanding of break-even analysis to a real-world setting and may consider if non-financial information could change their recommendation.

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Using a Systems Framework to Develop Higher Level Thinking Skills in Cost/Management Accounting: Experimental Evidence

Penelope Sue Greenberg
Vol.15, Number 4, Fall 1997, pp. 559-575

Abstract: The teaching of learning and thinking skills has become a primary objective of accounting education. Recent cognitive research has emphasized the importance of a framework for the organization of knowledge in attaining these skills. This paper examines whether a systems framework leads to improve long-term learning and higher level thinking skills. The systems framework involves the identification of objectives, users, inputs, and outputs, in addition to the calculation process. A learning experiment was conducted in which the systems framework was used for organizing material presented to students and for practice exercises. This study suggests that the systems framework enhances long term learning and higher level thinking skills. These results support the recent emphasis on information systems in accounting education.

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Accounting Is Like a Box of Chocolates: A Lesson in Cost Behavior

Charles E. Davis
Vol.15, Number 3, Summer 1997, pp. 307-318

Abstract: This case is designed to be used in an introductory managerial accounting class to illustrate cost behavior and break-even analysis in a non-manufacturing setting. Revenue and expense information related to Paramount Picture' hit movie Forrest Gump is provided and students are required to prepare a traditional income statement, identify fixed and variable costs, prepare a contribution format income statement, and consider the effects of changing from a variable cost structure to a fixed cost structure. While not a primary focus of the case, the material does allow for a discussion comparing internal reporting to external financial reporting and the applicability of GAAP in each setting. The short length of the case allows it to be distributed, read and solved within a single 90-minutes class period. Suggestions for cooperative learning assignments are also presented.

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Forrest Gump - Accountant: A Study of Accounting in the Motion Picture Industry

Glenn Pfeiffer, Robert Capettini and Gene Whittenburg
Vol.15, Number 3, Summer 1997, pp. 319-344

Abstract: This case is designed to be used in a junior/senior level cost/managerial course or an MBA level managerial course. It provides instructors with the ability to address a wide variety of issues while demonstrating the interrelationships in the various sub-areas of financial, managerial and tax accounting. The entertainment industry is used as backdrop where the instructor may cover any or all of the following topics: cost terminology, cost behavior, C-V-P analysis, compensation, control, overhead allocation, ethics, revenue recognition, tax recognition, matching, and valuation issues. The case can be used for individual assignments, but it is particularly well suited for a group assignment.

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PPC, Inc., An Instructional Case

Susan Corsaro and Susan B. Hughes
Vol.15, Number 3, Summer 1997, pp. 345-357

Abstract: PPC, Inc. can be used to discuss many management accounting concepts, including ABC, variable costing, the theory of constraints, cost allocation, and behavioral issues. The case is based on the operating results of an actual printing company that was evaluating its product costing system in an attempt to improve profitability. In addition to dealing with new competitive pricing pressures, bottlenecks in one department prevented the company from increasing its sales volume to the level necessary to cover recent additions in fixed costs. The case materials can be adapted to emphasize one concept or to discuss alternative techniques, and the case can be used in introductory through MBS managerial accounting classes.

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Budgeting in a Not-For-Profit Setting: A Fund-Raising Simulation with Multiple Objectives

Carol F. Venable and Martha S. Doran
Vol.15, Number 3, Summer 1997, pp. 359-369

Abstract: This case is designed to introduce basic managerial and budgeting concepts in the context of a not-for-profit entity. The case is a one-page scenario which places the students in a simulated role of planners for a community event. They must seek funding for the event from the Board of Directors of a

local philanthropic organization. The paper discusses options to assist faculty in using the case in a variety of settings. A teaching note includes a description of a simulated classroom setting and provides suggested questions for classroom use. Variations of the case can be used in classes at introductory and advanced levels. It is well suited for adult learners and courses designed for non-financial managers/executives.

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Hong Kong Airport Core Programme

James A. Weisel
Vol.15, Number 3, Summer 1997, pp.371-388

Abstract: This case focuses on project cost and schedule control issues in an international setting. Two sets of budgets are prepared using alternative assumptions about the rates at which costs are incurred and work progresses on long-term projects. The case emphasizes that there is no single "correct" set of assumptions. Actual costs accumulated and work completed on one component of the Hong Kong Airport Core Programme are compared to these budgets to demonstrate the effects that alternative budgeting assumptions have on the analysis of performance gaps. The case assumes knowledge of basic cost accounting and flexible budgeting. Additionally, a satisfactory understanding of statistical functions is necessary. This case is most appropriate for advanced cost accounting and MBA classes.

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The Treatment of Direct Labor in Cost/Managerial Texts

Dan Meyer and Greg M. Thibadoux
Vol.14, Number 4, Winter 1996, pp. 535-543

Abstract: Cost managerial textbook authors have typically defined and treated direct labor production costs as a pure variable cost that is proportionally related to the level of output. One implication of such treatment is that management will hire and fire workers as output levels vary. Historically, management did frequently adjust labor to reflect seasonal variations in sales and short-term changes in demand levels. This attitude was incorporated into the at-will employment rule.

In the last few decades, the at-will employment rule has been successfully challenged in court. Other factors, such as the need for a highly trained work force and employment contract guarantees, have changed the nature of direct labor to that of a mixed or, in some cases, a fixed cost. In addition, at some highly automated plants, direct labor cost may be a small enough proportion of manufacturing cost to combine with overhead as a conversion cost.

Accounting educators need to consider the effect this change may have on various managerial practices and methods, these include operational budgeting and cost-volume-profit analysis.

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Experiential Evidence and Recommendations Regarding Case-Based Teaching in Undergraduate Cost Accounting

David E. Stout
Vol.14, Number 3, Fall 1996, pp. 293-317

Abstract: Much attention has been focused recently on the future direction, scope and structure of accounting education. One of the pervasive recommendations from professional bodies, accounting educators, and practitioner groups is that greater use of case studies should be made in the formal education of future accountants. At the same time, experiential evidence regarding the use of cases in

accounting education is sparse. This paper reports implementation results of a revised costing accounting course format that included a significant case analysis component, attention to written and oral communications skills development, and task assignments in a small workgroup environment. Focus is made first on the affective dimension of the students' experience in the course. A special survey instrument to obtain information in this regard was administered to students both at the completion of the course and then a second time during the beginning of the following semester. Principal findings from the survey are as follows: (1) students rated the course highly with respect to its perceived impact on the attractiveness of accounting as a field of study and its positive impact on future business (including accounting) courses; (2) the course teaching methods had a beneficial impact on important aspects of the learning process (in particular, time-organization and interpersonal skills development); (3) the case analysis component of the course was viewed by students as the most interesting and valuable, albeit difficult, aspect of the course; (4) the course experience had a salutary impact on career specialization intentions; and (5) student perceptions were relatively constant between the two administrations of the survey. The paper concludes with a number of recommendations, gleaned from the five faculties who have taught the course the past 5 years, regarding the use of the case method in accounting. Together, the empirical results and recommendations are designed to facilitate more informed decision-making regarding case usage by other accounting educators.

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The Yellow Brick Company: An Instructional Case for Integrating the Teaching of Tax and Managerial Accounting

Janet A. Meade, C.S. Anges Cheng and Chee W. Chow
Vol.14, Number 3, Fall 1996, pp.385-400

Abstract: In recent years, the emphasis in accounting education has shifted from technical instruction to a broader understanding of the role of accounting in decision-making. One outgrowth of this new emphasis has been an integration of the according curriculum, whereby courses assimilate and explore the interrelationships among the various accounting subareas as well as with other disciplines. The aim of this instructional case is to help bridge the gap that typically exists between tax and management accounting teaching. Through the evaluation of three mutually exclusive alternatives, students are systematically introduced to the ways that implicit taxes, alternate tax structures, and the treatment of net operating losses (NOLs) can alter the relative profitability and risk of alternative courses of action. The case thereby helps students who do not take courses in taxation to appreciate that taxes are not simply payments to the government after the fact. Rather, they play an important and integral role in managerial decision-making.

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What Corporate America Wants in Entry-Level Accountants: Some Methodological Concerns

Bart P. Hartman, Jack M. Ruhl
Vol.14, Number 1, Spring 1996, pp. 1-16

Abstract: In September 1993, the Institute of Management Accountant (IMA) and the Financial Executives Institute (FEI) commissioned the Gary Siegel Organization (hereafter GSO) to carry out a study that was ultimately titled, "What Corporate America Wants in Entry-Level Accountants." The GSO employed a research approach that included focus group interviews, telephone interviews, and mail questionnaires. Central to the GSO study is an assessment of accounting knowledge and skill areas (AKSAs). AKSAs are 15 broad accounting knowledge and skills areas selected from the content specifications of professional accounting examinations and from major topic areas taught in college accounting courses. The research results were reported at the Annual Meeting of the American Accounting Association in August, 1994, and published as a monograph as well as in Management Accounting.

According to a joint IMA/FEI position statement, "The results show that Corporate America believe universities are doing a less than adequate job of preparing people for entry-level work in management accounting" (p.25). Consistent with these conclusions, the IMA/FEI position statement continues, "University accounting programs must be restructured to respond to the needs of the corporate customer." (25).

As a way of measuring the service quality gap with respect to the AKSAs, the GSO apparently tried to adapt a perceptions-minus-expectations research methodology used to measure service quality referred to as SERVQUAL. Unfortunately, the GSO study contains serious methodological flaws. These methodological flaws call into question the conclusions drawn from the study. Accounting educators and administrators need to exercise caution in using the GSO study results as the basis for wholesale restructuring of the accounting curriculum. At the least, additional studies ought to be made to either confirm or disconfirm the results reported by the GSO study. In this paper, we outline a more acceptable method for using the SERVQUAL perceptions-minus-expectations framework.

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A Guide to the Historical Controversies and Organizational Contexts of Standard Costs

Richard K. Fleischman and Thomas Tyson
Vol.14, Number 1, Spring 1996, pp. 37-56

Abstract: Undergraduate accounting students in the US receive little or no exposure to the history of their discipline. In an effort to remedy this deprivation, the authors suggest a series of historical vignettes to serve as collateral reading in accounting courses. This essay, designed to supplement the standard costing and variance analysis chapters of a cost or managerial textbooks, is offered as an example of the historical background pieces envisioned.

Students and educators alike may not realize that standard costing has served far different roles in the premodern, modern, and postmodern eras. We trade the history of cost accounting divergent interpretations attributed to standard costing. We emphasize how the purpose of standard costing have changed over time and why target costing is the proper focal point in the postmodern era.

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Market Share and Market Size Variances in a Multi-Product Environment: An Evaluation of Completing Formulations

N. Leroy Kauffman and Parvez R. Sopariwala
Vol.13, Number 4, Fall 1995, pp. 463-478

Abstract: Market share and market size variances are typically included in cost and managerial accounting texts in the discussion on sales variances. Shank and Churchill (1977) introduced a widely-adopted methodology wherein these variances are equal to the sales quantity variance, with the sales mix variance accounting for the entire variation in sales mix. Hirsch (1988) treats multiple products differently than Shank and Churchill (1977) and offers an alternative formulation for analyzing market share and market size variances. This paper compares the two variance formulations and demonstrates that the market share and market size variances under the Hirsch formulation more realistically reflect changes in market share and market size. As a result, the variances under the Hirsch formulation are more useful for managerial decision-making.

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Practice What You Teach TQM in the Classroom

Frederick W. Lindahl, Emily A. Portteus, Brianne M. Purdy, Hugo F. Sandberg, Jamie L. Scarborough

and Anita O. Scott
Vol.13, Number 3, Summer 1995, pp. 379-391

Abstract: An entire industry has grown up to improve quality in the private sector, in government, in non-profit agencies, and in education. To our knowledge, very little has been done to incorporate quality concepts into the delivery of educational services. We report on a project in which a total quality management (TQM) team was formed as part of a graduate elective course in managerial accounting. The team adapted quality concepts to improve the quality of classroom instruction. The project resulted insignificant changes in instruction. The students were "empowered" to affect their course, and responded with constructive recommendations. The TQM team gained "hands on" experience in designing and implementing an actual quality improvement project. The particular changes from this experience are unique to this course, but the process of applying continuous improvement efforts to course delivery can be applied across a wide range of curricula.

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ECU Curriculum Responds to the Needs of Multiple Constituents

Frankie E. Gurganus, Edwin A. Doty and J. Larry Hagler
Vol.13, Number 2, Spring 1995, pp. 223-240

Abstract: This paper presents an application of a curriculum reform model to a real world situation at East Carolina University. It reviews accounting curricula and the impetus for change in accounting programs with special attention given to three forces driving accounting curriculum reform:

1. the American Institute of Certified Public Accountants (AICPA) call for a 150-semester-hour requirement for membership.
2. the American Assembly of Collegiate School of Business' (AACSB) new accreditation standards, and
3. the changing needs and expectations of the accounting profession.

After an examination of how theses and several other factors influence the accounting curriculum, reform strategies are discussed. A case study outlining the process that East Carolina University (ECU) underwent to achieve its new dual track accounting curriculum is presented. The dual tracks consist of a 120-h BSBA with a concentration in managerial accounting and a 150-h BSA/MSA in accounting.

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Ethics and Management Accounting: Teaching Note for a Video Case, " The Order: A Progressive Disclosure Vignette"

Vidya N. Awasthi and Erwin Staehelin
Vol.13, Number 1, Winter 1995, pp. 87-98

Abstract: Prior accounting literature has recognized the need for integrating ethics with accounting education (Langenderfer & Rockness, 1989; Loeb, 1988), and suggested that films and video cases are very useful for discussing ethics in the classroom (Homer & Steneck, 1989). This teaching note discusses a widely circulated video case on ethics in management accounting. The teaching note present s a framework for analysis and shows how the Standards of Ethical Conduct for Management Accountants issued by the Institute of Management Accounts can be applied to the case in resolving ethical problems. Additionally, it discusses how changes in the case regarding performance measures, budgeting, incentive policies, and the type of information used could influence the company's ethical environment. Although this teaching note is specific to the case, the general approach outlines herein may be used for other ethics cases in management accounting.

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Learning to Learn in the Accounting Principles Course: Outcome Assessment of an Integrative Business Analysis Project

Progyan Basu and Jeffrey Cohen
Vol.12, Number 4, Fall 1994, pp. 359-374

Abstract: This paper reports on an effort to integrate some of the Accounting Education Change Commission's recommendations for the Principles course. A project involving comprehensive analysis of a publicly traded company was introduced in the Managerial Accounting course as a vehicle to develop critical thinking problem solving, ethical sensitivity, team work, and communication skills among sophomore-level business majors. As a means of assessing outcomes, a follow-up questionnaire was administered to measure the effectiveness of the project, and results were analyzed. The project was found to have made positive impacts across several dimensions of the learning process. Implications for Accounting curricula are discussed.

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Linkages between Organizational Goals, Strategies, and the Budget Process

Jack M. Ruhl and Bart P. Hartman
Vol.12, Number 3, Summer 1994, pp. 227-244

Abstract: This case is ideally suited to integrate organizational goals and strategies with budgeting, feedback, and variance analysis. It demonstrates the interplay between the budget process and organizational goals and strategies. The case is also useful in integrating accounting concepts with concepts which students have studied in management or organizational behavior courses. It suggests that the way that managers respond to variances is affected by the environment in which the firm operates and the product(s) manufactured by the firm. This case is based upon an actual situation in which a firm experiences rapid growth through acquisition. Integration of the budget process with organization goals and strategies enhances the students' interests and their understanding of the role of budgets in the planning and control process. The case demonstrates that budgets are part of a "big picture," and can be traced and related to managerial goals and strategies. Further, the case allows students to develop an understanding and appreciation of variance analysis. The case has been used successfully with undergraduate cost accounting students and with participants in a 2-week executive-education program. The students find the case interesting and are eager to participate in the discussion.

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A Controversial-Issues Approach to Enhance Management Accounting Education

James R. Martin
Vol.12, Number 1, Winter 1994, pp.59-75

Abstract: A transformation of management accounting education is being driven by the changing role of the accounting educator and the increasingly controversial status of traditional management accounting practices. This paper discusses a variety of controversial issues and describes how controversy can be used to enhance management accounting education.

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Management Accounting: Are New Techniques Making In-Roads with Practitioners?

Joseph Z. Szendi and Robert C. Elmore
Vol.11, Number 1, Spring 1993, pp. 61-76

Abstract: Despite numerous criticisms and the examples of specific companies changing to a particular technique, there are few empirical studies providing evidence of the status of management accounting practice. The primary purpose of this study was to examine trends in the adopting of the new managerial accounting techniques by manufacturing firms. Evidence of changes in the direction of managerial accounting would have significant future implication regarding the direction of management accounting education and of accounting theory. The results of this study indicate that new techniques are being adopted while traditionally systems are being maintained, suggesting that a broadening of innovations in management accounting may require the development of a new and separate course dealing strictly with these innovative techniques in the transition to world-class manufacturing.

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Constructing Monte Carlo Simulations in Lotus 1-2-3

Paul Rouse
Vol.11, Number 1, Spring 1993, pp. 113-132

Abstract: The purpose of this paper is to provide a detailed description of constructing a Monte Carlo simulation in a spreadsheet context. The examples used are from cost-volume-profit analysis, but the methods can be applied equally to capital budgeting or any other exercise involving a Monte Carlo simulation. Both empirical and theoretical distributions are covered and the Marsaglia-Bray algorithm is described for converting random variates into normalized random variates. Students therefore (a) learn how the Monte Carlo method operates and how simulation can provide insights into the riskiness of a proposal, (b) acquire some very useful skills in Lotus and in model building, and (c) are introduced to random numbers and ways in which they can be transformed into different distributions.

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Home Builders Association vs. St. Louis County Water Company: A Cost Allocation Case

Michael L. Costigan and Maurice L. Hirsch, Jr.
Vol.11, Number 1, Spring 1993, pp. 113-132

Abstract: This case examines cost allocation issues in a regulatory environment. The St. Louis Country Water Company (SLCWC) is an investor-owned for-profit utility regulated by the Public Service Commission of Missouri (PSC). At the time of this case, SLCWC had filed a request for a rate increase with the PSC. The Home Builders Association of St. Louis (HBA) intervened in the rate process to request a change in the way SLCWC allocated indirect payroll costs to its Construction operations.

At least three constituencies have a stake in this allocation problem: the HBA, the PSC, and the SLCWC shareholders and mangers. In addition, the Public Counsel's office of the State of Missouri has the role of seeing that the residential consumers are represented in rate proceedings. However, in this case the Public Counsel's role is passive.

Part A of the case first provides a background on the PSC and the process of rate regulation at the PSC. Next, background information is presented on the SLCWC and the allocation method currently in use. Finally, a description of the HBA and its concern over the allocation method is presented. The case asks you to consider this allocation process from the point of view of (1) accounting theory, and (2) each of the three major stakeholders.

Part B of the case reviews three alternative allocation schemes: one proposed by SLCWC and two proposed by a consultant to the HBA. This part of the case asks you to consider these proposals and discuss whether they offer improvements over the PSC method.

Part C describes the resolution of the case and summarizes the experience of SLCWC in the first year following the case. It also can stand by itself since it illustrates generic cost allocation issues that came

to light after the rate case.

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A Spreadsheet Approach to Stochastic Financial Modeling

Dennis F. Togo
Vol.10, Number 2, Fall 1992, pp. 321-327

Abstract: Accounting educators acknowledge that a drawback of spreadsheets is their singular estimate of results. Even though spreadsheets provide techniques for sensitivity analysis, their users are hampered in assessing uncertainty within a modeled relationship. The purpose of this article is to demonstrate that risk analysis can now be easily performed on spreadsheets using add-ins having statistical forecasting and simulation capabilities.

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The Beville Manufacturing Case: Using Factory-Simulation Software to Teach the Concepts of Activity-Based Costing and Nonfinancial Performance Measures

Thomas L. Albright, Robert W. Ingram and Mark A. Lawley
Vol.10, Number 2, Fall 1992, pp. 329-348

Abstract: The focus of much recent accounting research has been the changing manufacturing environment facing the management accountant. The evidence suggests that manufacturing technology is changing at a rapid pace; therefore, accounting educators must seek new and innovative ways to help students grasp the complexities of what has been termed the "new manufacturing environment." Describing the dynamics of an operating factory is a major challenge facing the accounting professor because many (most) students - accounting or nonaccounting, graduate or undergraduate - have not seen a factory in operation.

In the spirit of the "Bedford Report" issued by the American Accounting Association Committee on the Future Structure, Content, and Scope of Accounting Education (1986) and the "Big Eight" white paper (Arthur Andersen & Co. et al., 1989), we use factory-simulation computer software to help students understand the complexities and interrelationships of a production facility. The focus is on understanding complex relationships and integrating the physical manufacturing phenomena with accounting numbers and performance measures. As the simulation program executes, the students observe units flowing through the factory scrap occurring, inventory levels rising and falling, downstream workcenters stopping because of lack of input from upstream workcenters and both random and schedules maintenance occurring.

When the simulation period is complete, the computer package provides summary statistics illustrating throughput levels, scrap rates, utilization percentages, average work-in-process (WIP) levels, and downtime analysis. The student should understand the relationship among these operating variables to appreciate elements of activity-based costing (ABC), as well as the importance of many nonfinancial performance measures that are increasingly found in industry. Questions that challenge the student (and bedevil the manufacturing supervisor) include the following:

1. What is the relationship of setup time to manufacturing batch size?
2. What is the impact of batch size on WIP inventory levels?
3. How does the WIP inventory level affect the lead time required to move a unit of product through the factory?
4. What is the cost impact of various levels of scrap, and how does scrap affect throughput?
5. Where are the constraints in the process, and how do these constraints affect throughput and costs?
6. Which resources are candidates for capital investment to improve processing time? Which are

not?

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A Matrix Approach to Transfer Pricing

Michael F. Thomas
Vol.9, Number 1, Spring 1991, pp. 137-147

Abstract: Teaching transfer pricing in introductory managerial accounting can be a difficult task. This paper presents a simple matrix approach for covering this material. The matrix identifies the transfer's opportunity cost/benefit to the firm, as well as the range of mutually acceptable transfer prices under conditions of surplus capacity and no surplus capacity in the selling division. This approach allows students to easily verify fundamental transfer pricing relationships. It also can help students relate other types of profit center manager decisions with the transfer pricing decision.

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Cross Subsidies in Overhead Application

Paul R. Koogler and Roxanne Stell
Vol.9, Number 1, Spring 1991, pp. 149-159

Abstract: The problem with conventional costing in multiproduct manufacturing is that volume-related allocation bases used to apply overhead to products fail to correspond with the unique resource demands of each of a firm's many products. This paper compares overhead applied in a conventional cost system with that applied in a two-stage, activity-based system to illustrate how cross-subsidies occur (where a high-volume product subsidizes a low-volume and complex product). The sensitivity of cross-subsidies to volume and product diversity is addressed. Both volume diversity and product diversity distort product costs in conventional costing; whereas, activity-based costing generally provides more accurate costs. The paper also shows that in conventional cost systems, departmental overhead rates do not necessarily yield more accurate product cots than plant-wide rates. The conditions necessary for advantageous use of departmental rates are discussed. In addition, cost behavior analysis and the dual rate method, both subjects of managerial accounting for decades, can be applied to function as a two-stage, activity-based cost system.

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Improving the Curriculum for Aspiring Management Accountants: The Practitioner's Point of View

Adel Novin, Michael A. Pearson, Stephen V. Senge
Vol.8, Number 2, Fall 1990, pp. 207-224

Abstract: Although prior research has identified ranked lists of cost/managerial accounting topics that may approximate a common body of knowledge for management accounting, these topics must exist within a specific educational context. The context, or educational framework, could include attributes other than technical accounting topics. This study, which provides the practicing management accountant's point of view, focuses on those other attributes.

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Decision Support for Capital Budgeting: A Model for Classroom Presentation

Thomas F. Monahan, Matthew J. Liberatore, and David E. Stout
Vol.8, Number 2, Fall 1990, pp. 225-239

Abstract: This article offers a decision support model for classroom coverage of capital budgeting. The model is operationalized through a decision-making framework known formally as the Analytic Hierarchy Process (AHP). This model offers two enhancements to traditional capital budgeting procedures. First, the AHP can link capital budgeting decisions directly to the strategic plan of the business unit. Second, it can incorporate nonfinancial (and subjective) factors formally and systematically into the decision framework. Depending on the depth of coverage desired, the proposed method can be used at both the graduate and advanced undergraduate levels in cost or managerial accounting courses.

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Incremental Cost-Volume-Profit Analysis

Y. Lilian Chan
Vol.8, Number 2, Fall 1990, pp.253-261

Abstract: The discussion of sensitivity analysis for cost-volume-profit model is limited in most cost accounting textbooks. In this article, incremental analysis, a methodology that involves a model of relative incremental changes, is introduced as a framework for conducting sensitivity analysis. With the use of a case example and graphs, it is demonstrated that the relationship among the key variables in the system becomes more visible and the analysis more transparent when incremental cost-volume-profit analysis is employed. Also, the incremental cost-volume-profit model can be used in determining the optimal course of action (such as the optimal price increase) for profit maximization.

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A Cash Flow Cost-Volume-Profit Model

Jay Holmen, Dennis Knutson, Dennis Shanholtzer
Vol.8, Number 2, Fall 1990, pp. 263-269

Abstract: The traditional cost-volume-profit (CVP) model assumes the accounting flows follow the accrual accounting model. No distinction is made between accrual cost flows and cash flows. This paper looks at several different cash flow break-even models.

One model assumes there is no opportunity to use an accrual accounting taxable loss by other profitable product lines or through a tax loss carryback. When graphed, this model presents a "dog-leg" at the accrual accounting breakeven point. A more general model assumes that an accrual tax loss is usable. When graphed, this model presents a line parallel to the after-tax accrual-based cost line, shifted downward in the amount of the noncash fixed costs.

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The Managerial Accounting Component of Elementary Accounting

Corine T. Norgaard, Mohamed E. Hussein
Vol.8, Number 1, Spring 1990, pp. 77-92

Abstract: The purpose of this article is to stimulate discussion of the content and presentation of the managerial component of undergraduate elementary accounting. The first part of this article reports the results of a survey conducted to gather data about the current managerial accounting content of elementary accounting, how it is taught, and modifications in content which are deemed desirable by those teaching the course. The second part describes the changing environment in which organizations function. The authors hope this article will stimulate an evaluation of the managerial/accounting component of the elementary accounting course and result in a more meaningful course for future decision makers.

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ISO-Profit Curves for Two-Variable Sensitivity Analysis

Joseph G. Louderback
Vol.8, Number 1, Spring 1990, pp. 105-114

Abstract: Sensitivity analysis is a valuable tool that is usually performed on one variable at a time. This note describes a simple method of analyzing changes in two variables and of graphing the results for better interpretation. The analysis allows you to determine the ranges where each sensitivity is greatest and least. It also allows you to determine what response is needed in one variable to offset a change in the other. For example, how much must volume increase to offset a particular price decrease?

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Process Costing and LIFO: A Dollar Value Approach

Lawrence M. Metzger
Vol.8, Number 1, Spring 1990, pp. 115-126

Abstract: The purpose of this paper is to describe a method of converting ending work in process inventory values developed under a process costing system into a last in, first out (LIFO) - valuation using dollar value LIFO. Textbooks lack any discussion of this matte. This method can be used with either the first in, first out (FIFO) or weighted average method. An illustration is developed for two departments over two years. Both the effects of LIFO layer increases and liquidations are shown.

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Net Working Capital Investment and Capital Budgeting Analysis: Some Pedagogical Insights

Harry I. Wolk, Gary A. Porter, and Daniel E. Vetter
Vol. 7, Number 2, Fall 1989, pp.253-262

Abstract: Net working capital (NWC) investment, as a factor in discounted cash flow (DCF) analysis, received little attention in the capital budgeting literature and accounting textbooks. The purpose of this paper is to explore the ways in which this important component of the analysis can be integrated into the classroom and thus add to the student's overall understanding of capital budgeting. Four areas are discussed: (1) the significance of NWC investment in capital budgeting analysis, (2) the opportunity cost nature of the NWC investment, (3) measurement of the components of the NWC investment, and (4) use of the NWC investment to help restore the bottom line in DCF analysis to a pure cash flow basis. Integration of the fourth point into the topic of capital budgeting is found to be a convenient way to reinforce the student's understanding of the statement of cash flows.

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A Three-Dimensional Graphic Display of the Impact of Inventory Changes on Absorption and Direct Costing Incomes

Hai G. Park
Vol. 7, Number 2, Fall 1989, pp.279-292

Abstract: Current textual treatment of PV (Profit-Volume) analysis and product costing methods (i.e., absorption and direct costing) does not facilitate students' recognition of the close relationship between the two topics. As a result, many students seem to have difficulty understanding why the assumption of no change in inventory is made for the traditional PV analysis. The purpose of this note is to help

students understand the close relationship between PV analysis and product costing methods using three-dimensional PV graphs.

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Intertopical Ordering Effects: the Case of Managerial Accounting

Bruce A. Baldwin, Diane D. Pattison, and Richard B. Toolson
Vol. 7, Number 1, Spring 1989, pp.83-91

Abstract: This article investigates the effect of topical versus random question sequencing on student examination performance. Two hundred eighty-two introductory managerial accounting students were administered versions of examinations during a semester that differed with respect to question order. Approximately one-fourth received all ordered examinations, one-fourth received all random examinations, one-fourth received first ordered, then random, and finally ordered examinations, and the final one-fourth received first random, then ordered, and finally random examinations. GPA was a covariate factor. No evidence was found to support the hypotheses that (1) question order within examinations or (2) changes in exam format over time has any effect on student performance.

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Modernizing the Net Present Value Model

J. Ralph Byington and Peter John Poznanski
Vol. 7, Number 1, Spring 1989, pp. 133-140

Abstract: Accounting courses typically emphasize discrete rather than the more realistic continuous discounting and compounding approaches for computing net present values, assume that the reinvestment rate is also the same as the discount rate, and ignore intermediate net present values which can alter the capital budgeting decision. This note presents different techniques for computing net present values by using continuous discounting combined with terminal values. In addition, a bailout payback technique contrasting a "conservative" and "liberal" approach to computing intermediate net present values is presented.

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A Compilation of Recent Surveys and Company-Specific Descriptions of Management Accounting Practices

Chee W. Chow, Michael D. Shields, and Adrian Wong-Boren
Vol. 6, Number 2, Fall 1988, pp.183-207

Abstract: Knowledge of practice can significantly benefit both accounting teaching and research. This article aims to enhance such understanding by providing an inventory of recent surveys and company-specific descriptions of management accounting practices. The inventory was constructed from an exhaustive search of 12 accounting and business periodicals covering the period January 1980 to June 1987. Survey results are summarized for five major topic areas: cost accounting system design, decision making, planning, control, and the use of quantitative methods. These results are presented in tables to facilitate classroom presentation. An additional 55 articles describing company-specific practices are also classified under these headings.

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Making By-Products a Main Product of Discussion: A Challenge to Accounting Educators

David E. Stout and Donald E. Wygal
Vol. 6, Number 2, Fall 1988, pp.219-233

Abstract: Current textbook coverage of accounting for by-products is critically examined in the present article. Most texts suggest that, because amounts involved are relatively "immaterial," any of several techniques is acceptable. For the most part, little reference to any underlying concepts, other than the concept of "materiality," is included in textbook discussion of this topic. Educational theorists assert that learning is enhanced when students are able to anchor new information to material previously learned. The authors argue that it is both possible and desirable to tie the presentation of by-product accounting (a) the FASB Concept Statements (specifically, to asset and revenue recognition concept(s) and (b) other financial accounting practices to which students are traditionally exposed. The by-products illustration used in this article is but one example of how cost accounting topics can be tied to the mainstream of accounting thought. The authors encourage such applications in other cot accounting areas by accounting educators.

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Budgeting and Profit Variance Analysis Using a Financial Planning Language

Terrance R. Skantz
Vol.6, Number 2, Fall, 1988, pp.309-323

Abstract: This note describes an alternative to typical budgeting and variance analysis exercises. As a term project, students use financial planning software to prepare budgets and then use "what-if" techniques to facilitate profit variance analysis. The method enhances understanding of the relationship among budgeting, eliminates formula-driven variance analysis, and elucidates the relationship between budgeting and variance analysis.

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Active Learning for Budgeting Concepts

Paul Krause
Vol.6, Number 2, Fall, 1988, pp.331-337

Abstract: This note provides an activity for bringing behavioral issues to the attention of students in a practical and interesting way that requires active student involvement in the learning process. First, students assemble a seven-piece geometric puzzle while subject to a very tight performance standard. Then, before a second trial at puzzle assembly, the students participate in setting their own standards for performance. Instructions are included for the preparation and presentation of the activity in a classroom setting.

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A Spreadsheet Analysis of Different Costing Systems

Peter Chalos
Vol.6, Number 2, Fall 1988, pp.345-353

Abstract: This note describes a project that uses a spreadsheet to illustrate the conceptual similarities and differences between actual, normal, and standard costing system, under both variable and absorption reporting formats. Budgeting and variance analysis are also included in the illustration. The purpose of the project is to enhance, via a comprehensive numerical example, the student's understanding of these three costing systems. A spreadsheet formulation enables the student to perform sensitivity analysis, while eliminating the need for repetitive income statement formatting and calculations.

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Capital Budgeting with Continuous Cash Flows: An Application of Calculus to Managerial Accounting

Jon R. Nance
Vol. 6, Number 1, Spring 1988, pp.67-81

Abstract: Project valuation in managerial accounting often involves discounting approximately continuous cash flows. Calculus is the natural mathematical tool for dealing with continuous flows and is a required part of the business curriculum in most major universities. Typical managerial accounting textbooks provide students with little opportunity to use calculus in solving accounting problems. Discounting continuous flows is a natural medium for introducing calculus into managerial accounting courses. This article illustrates the application of calculus to capital budgeting. Explicit but simplified consideration of inflation and taxation leads to interesting conclusions while maintaining enough simplicity for upper-division managerial accounting presentation.

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A Graphical Analysis of Profit Variances Under Absorption and Direct Costing

Hai G. Park
Vol. 6, Number 1, Spring 1988, pp.139-147

Abstract: This note describes a graphical approach that illustrates how the different treatment of fixed manufacturing overhead affects absorption and direct costing profit variances when actual sales and production volumes deviate from the planned ones.

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An Application of Opportunity Cost for a Short-Run Pricing Decision

Hai C. Park and Bart P. Hartman
Vol. 5, Number 2, Fall 1987, pp.307-313

Abstract: This article illustrates how opportunity cost can be provided as an explicit information item for a manager's short-run pricing decision. By using an example of a special order decision situation, the article shows the merits of using an opportunity cost approach instead of using only a direct cost or an absorption cost approach.

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On the Interpretation of the Estimated Intercept in a Regression of Overhead Cost on Volume

Steven C. Reimer
Vol. 5, Number 1, Spring 1987, pp.149-153

Abstract: When regressing overhead cost on units produced, it may be necessary to obtain separate estimates of fixed and variable overhead cost. However it has been suggested in the accounting literature that the constant term in the regression is only a non-interpretable Y-intercept. This note suggests that the constant term of a cost/activity regression is fixed cost associated with the relevant range of activity. Furthermore, if changes in variable unit costs occurred within the period of observation, then the use of disaggregated data is required to obtain an unbiased estimator of fixed costs.

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Communicating Decision Alternatives Graphically Using the Point of Indifference

G. Thomas Friedlob and Louis P. Ramsay
Vol. 4, Number 2, Fall 1986, pp.37-49

Abstract: In the search for more effective communication of decision alternatives, managerial accountants and educators have developed useful graphic presentations. For certain types of decisions, this study proposes the use of indifference points, or points where the decision maker would theoretically be indifferent between two alternatives. The indifference point concept is useful for presenting to students the analysis of such management choices as capital equipment acquisition (operating leverage), debt versus equity financing (financial leverage), and operating decisions such as make or buy.

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A Cash Flow Approach to the Statement of Changes in Financial Position

Mark E. Haskins and Robert N. Holt
Vol. 4, Number 2, Fall 1986, pp.97-106

Abstract: Increased emphasis on managing and reporting the cash flows of companies has been articulated by academics, professional organizations, and business managers. However, traditional accounting textbooks and course syllabi have been slow to relinquish a working capital focus for the statement of changes in financial position (SCFP). This article presents a cash flow approach to the SCFP that is ideal for classroom instructional purpose because it is intuitively appealing, managerially oriented, and reflective of a growing number of companies' public disclosures.

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Linear Programming in Managerial Accounting: A Misinterpretation of Shadow Prices

Robert M. Harper, Jr.
Vol. 4, Number 2, Fall 1986, pp.123-130

Abstract: The cost-volume-profit segments of managerial and cost accounting courses often include linear programming (LP). This note analyzes a fundamental aspect of LP: the interpretation of shadow prices. The analysis reveals a common misinterpretation of these shadow prices. To correct the general misinterpretation, a more accurate description of the significance of shadow prices is then provided.

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A Note on Inventory Reorder Point Determination

Raman C. Patel
Vol. 4, Number 2, Fall 1986, pp.131-140

Abstract: Managerial decisions regarding timing of inventory replenishment are as important as determining the economic order size in inventory management. Yet most of the introductory texts on cost/managerial accounting and production/operations management do not adequately discuss reorder point determination especially the condition on lead time demand that is necessary for valid application of the commonly reported formula for the reorder formula for the reorder point. A clear understanding of the reorder point determination is important to students, teachers, and practicing mangers alike. This note attempts to explain the underlying condition and modification needed in the reorder point formula.

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Using Modeling Languages in Managerial Accounting: An Example for Pricing Decisions

Charles Brandon, Ralph E. Drtina, and Donald Plane
Vol.4, Number 1, Spring 1986, pp.69-80

Abstract: This paper presents a modeling approach useful for accounting applications. The capabilities of modeling languages, like IFPS, enable managers to make complex analysis with relative ease and efficiency by focusing attention on management goals. The variable over which management has some degree of control can be manipulated to determine sensitivity of variable changes on desired outcome. The ease of manipulation and goal-seeking capabilities available in modeling languages produce greater insight into the decision making process. The application demonstrated in this paper is cost-volume-profit analysis viewed from the pricing perspective.

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Teaching Standard Costs: A Look at Textbook Differences in Overhead Variance Analysis

William B. Pollard
Vol.4, Number 1, Spring 1986, pp.211-220

Abstract: Procedures for calculating the two-way, three-way, and four-way analysis of overhead variances can differ significantly among cost accounting textbooks. This study uses a common problem framework to compare the isolation of overhead variances in 20 cost accounting textbooks that present the current, yet different methods of overhead variance analysis.

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Introducing the Capital Budgeting Problem

Joel E. Thompson
Vol.4, Number 1, Spring 1986, pp.221-226

Abstract: The purpose of this paper is to suggest that many of the issues of capital budgeting are intuitive and can be presented to introductory managerial accounting students using relatively simple examples. Thus, this paper contains a set of 12 examples which other teachers may find useful. These examples can be used to supplement the teaching of traditional decision models and can provide the students with a richer understanding of the problem.

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A Survey of Budget-Related Planning and Control Policies and Procedures

William P. Cress and James B. Pettijohn
Vol.3, Number 2, Fall 1985, pp.61-78

Abstract: This article reports the results of a survey of budgeting practices of Amerian manufacturing firms. It is based on the responses (27.4% response rate) from a systematic, random sample of all manufacturing firms listed on the files of Compustat. The survey instrument covered six sections: preparation of the planning budget, cost control procedures, performance reporting and communication, budget related procedures for overall company planning and control, administration of the budgeting system, and time dimensions of the planning process. Fifty variables were surveyed. While respondents generally indicated that they use recommended budgeting techniques, there were instances where the responses indicated otherwise. There appears to be significant resistance to incorporating such matters as statistical techniques and to developing feedback channels to get information from line managers regarding their feelings about the role they play in the budgeting process. On the other hand, formalization of the budgeting process is common. It might be concluded that a significant lag time exists

between development and implementation of such ideas as statistical control procedures and the tools of human relations.

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Stochastic Dominance as an Approach to Uncertainty in Cost Accounting

Joseph K. Cheung
Vol.3, Number 2, Fall 1985, pp.91-102

Abstract: Presently textbook treatment of the topic of uncertainty in cost accounting never goes beyond the notions of mean and variance and the maximization of expected utilities. Because the application of these models requires artificial assumptions about either loss functions or utility functions, students are often left wondering how practical probabilistic models are afterall. This paper suggests that stochastic dominance be used to supplement the current textual material on uncertainty. Since these models are easy to implement in a cost accounting context, the class can devote more time to accounting issues in the context of uncertainty rather than get lost in decision theory. Three models of stochastic dominance are discussed here: the first order, the second order, and the third order stochastic dominance. All the necessary assumptions about each model are stated, and each model is accompanied by a numerical example.

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Revenue and Expenditure Variance Analyses for Local Governments

Jesse W. Hughes
Vol.3, Number 2, Fall 1985, pp.103-114

Abstract: Managerial accounting techniques do not appear to be widely applied to local government units by accounting educators. This article explains how variance analysis procedures used in the private sector can be modified for analysis of governmental operations to identify the components contributing to changes in actual revenues or expenditures from year to year. Specifically, changes in funding levels due to inflation, population and funding decisions are isolated. The changes due to funding decisions are desegregated further to determine the extent of shifts in funds and the proportional share of the remaining increase or decrease in funds. This latter "shift and share" component of the analyses (similar to mix variance computations) can more clearly identify the funding emphasis of the local political unit.

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Explaining Alternative Standard Cost Entries

John C. Lere
Vol.3, Number 2, Fall 1985, pp.187-193

Abstract: This paper presents an explanation which helps students understand the reasons for selecting alternative sets of journal entries to record standard costs. The important features of this explanation are (1) the reasons why standard costs are recorded in the accounting system, and (2) the information available at the time an entry is made.

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Human Judgment Biases and the Teaching of Management Accounting

Joseph H. Bylinski and Chee W. Chow

Vol.3, Number 1, Spring 1985, pp.167-172

Abstract: Managerial decision making often rests on subjective human judgment. Consequently, biases in these judgments can impose significant costs on an organization.

This article encourages and assists accounting educators in introducing behavioral (qualitative) considerations when teaching management accounting courses. It summarizes an extensive literature which should allow accounting educators to alert future managers and management accountants to a growing body of evidence that subjective human judgment is often flawed. The limitations of human judgments are discussed, and their implications for managerial decision making are delineated. The article concludes by offering a number of approaches to alleviate this problem.

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Impurity of Variable Factory Overhead Variances

Kung H. Chen and S.J. Lambert
Vol.3, Number 1, Spring 1985, pp.189-196

Abstract: Variable factory overhead variances are often analyzed in the same manner as other variable costs variances, using direct labor hours as a surrogate activity measure. As a result, students tend to give the same interpretations to both direct labor variances and variable factory overhead variances. Using a simple example, this paper demonstrates that as conventionally analyzed a variable factory overhead spending variance may reflect not only price deviations, but also quantity deviations of which students must be aware if they are to fully understand overhead variance analysis.

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Removing the Computational Burden from Reciprocal Cost Allocations

Charles D. Bailey, Gordon B. Harwood, and William Hopwood
Vol.2, Number 2 Fall 1984, pp.169-176

Abstract: This paper refutes the prevalent textbook notion that the reciprocal method of allocating service center costs is too difficult, elaborate, and costly. It presents a compact BASIC program capable of solving large problems even on a hand-held microcomputer; the program is self-contained, performing all matrix operations internally. After a brief discussion of the merits of the reciprocal method and the pitfalls of surrogate methods, an example is solved. Matrix notation is avoided to maintain accessibility for less advanced students.

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Educational Standards for Management Accountants: A Critical Need

E.J. DeMaris and Benny R. Copeland
Vol.2, Number 1, Spring 1984, pp.39-53

Abstract: The last five years have seen the development of a trend that may be characterized as "the professionalization of accounting education". One major element of this movement has been the development of a formal recommended curriculum for students planning a career in public accounting. However, a similar proposed curriculum for management accounting students has not resulted. Although the management accounting profession has made great advances during the past few years, a single formal recommended curriculum has not been developed.

This article expresses concern over the lack of such a curriculum, and urges the management accounting arm of the profession to join in developing a single recommended academic curriculum for

management accountants.

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A Comprehensive Project for Managerial Accounting

E. Dee Hubbard, Kevin D. Stocks, and John W. Hardy
Vol.2, Number 1, Spring 1984, pp.111-125

Abstract: This paper presents a unique procedure which integrates many managerial accounting topics in a single project. The project requires that each student create and interrelate all necessary accounting reports of a manufacturing process for one month of operation. Specific step-by-step instructions are not provided to the students. Only a set of general assignments is given as an outline to the sequence of activities. This allows for maximum flexibility as each student creates all the components of individual projects. The finished project provides each student with an overview of what managerial accounting is all about.

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Note on the Interpretation of Standard Cost Variances

William G. Mister
Vol.1, Number 2, Fall 1983, pp.51-56

Abstract: The interpretation of variances in a standard cost system is troublesome for many students. For those students who are not quantitatively oriented a graphical analysis seems to be a logical way of clearly demonstrating the source of variances and their interpretation.

The most commonly used graph for standard cost variance analysis is a one-quadrant area graph. If applied to the unfavorable variance case the one-quadrant area graph is an adequate vehicle for demonstrating relationships between costs and variances. However, when variances are favorable the one-quadrant graph becomes difficult to interpret. In this case the joint variance appears to be included in the quantity variance rather than the joint variance. The difficulty is caused by the sign change of the joint variance which cannot be shown in the one-quadrant area graph.

A four-quadrant area graph is presented as an alternative pedagogical tool. Variances in quadrants I and III are unfavorable and variances in quadrants II and IV are favorable. The four-quadrant area graph is consistent with the underlying algebra and aids the student in developing an intuitive understanding and ability to interpret standard cost variances.

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Utilizing Terminal Values in Teaching Time Value Analysis

Lester Barenbaum and Thomas Monahan
Vol.1, Number 2, Fall 1983, pp.79-88

Abstract: Traditional time value models, Net Present Value (NPV) and Internal Rate of Return (IRR), are now widely accepted in industry. This paper isolates three examples of how these simplified models can lead to less than optimal decision strategies. The conceptual basis for the discounting and reinvestment functions in time value analysis is first explored. Three investment areas highlighting misconceptions concerning the role of these rates are then analyzed. These areas include the utilization of risk adjusted discount rates, determination of bond yields and the analysis of leveraged leases. Finally, the impact of terminal values on the investment decision in each of these cases is demonstrated.

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The Statement of Changes in Financial Position: An Alternative Teaching Approach

Hussein D. Emin
Vol.1, Number 1, Spring 1983, pp.35-45

Abstract: The Statement of Changes in Financial Position (SCFP) is an important financial statement for external users. From a teaching point of view, however, the development of the SCFP has not been understood clearly by many accounting students.

In order to properly understand the SCFP using either the working capital basis or cash basis, students need a framework for analyzing the impact of various transactions on the Statement.

This article provides the accounting instructor with an alternate method for teaching the relationship between any transaction and the SCFP.

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A Survey of the Cost/Managerial Sequence in AACSB Schools

Jack Truitt, Albert Frakes, and John Fertakis
Vol.1, Number 1, Spring 1983, pp.131-135

Abstract: The trend toward equal emphasis on financial and managerial accounting in the elementary sequence may have peaked in the seventies and is now moving toward an increased coverage of financial accounting. Textbooks utilized at the lower and upper division levels indicate that more attention is being devoted to the decision-making process.

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Using Cost-Volume-Profit Analysis as an Integrative Framework in Cost/Management Accounting Courses

Chee W. Chow
Vol.1, Number 1, Spring 1983, pp.137-139

Abstract: CVP analysis can do much to help students develop a framework to fit together the management function as a coherent whole. An automobile company is used to illustrate the integrative framework.

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