

Issues in Accounting Education Instructional Resources

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Analyzing Business Issues--With Excel: The Case of Superior Log Cabins, Inc.

Susan P. Convery and Amy M. Swaney
Vol. 27, Issue 1 (2012), pp. 141-156

Abstract: This paper describes an instructional module developed for the principles of management accounting course to strengthen students' analytical problem-solving skills using spreadsheets. The module and all its components are presented first, followed by one of the four mini-cases used in a recent semester along with implementation guidance. The Analyzing Business Issues--with Excel (ABI-WE) mini-cases present a short business scenario, data related to the business issue, and a set of requirements to be completed using specific Excel functions from a directory of 40 covered in a semester. The mini-case itself is in Excel, so students can readily copy data into a solution worksheet. The primary focus is on analysis of the business issue using managerial accounting data, and the secondary learning objective is to develop an advanced level of expertise in selected spreadsheet functions; such as pivot tables, regression, if/then statements, V-lookup, conditional formatting, goal seek, and net present value.

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Industry Perspective Workshop Program: An Instructional Case Used to Integrate Transferable Skills in Introductory Accounting.

Nicholas McGuigan, Sidney H. Well, Thomas Kern, and Hu Baiding
Vol. 27, Issue 1 (2012), pp. 157-186

Abstract: The professional environment in which accountants operate has, in recent years, become increasingly complex, leading to significant changes within the profession. Intensifying the need for this change are the pressures associated with the recent global financial crisis, changes in information and communication technology, and the continuous introduction of new accounting standards. Employers are calling for the increased development of "non-technical" skills, such as critical thinking and the ability to communicate and engage with clients, within current graduates in order to meet the needs of the evolving and dynamic profession (Kavanagh and Drennan 2008; Hancock et al. 2010). In order for this to occur, real integration of non-technical skills' development into the accounting curriculum needs to take place. This instructional case tries to achieve this, providing students with an opportunity to apply theoretical accounting concepts to the creation of their own business, while actively developing their group processing skills. The primary objective of the case is to provide students with an opportunity to acquire technical accounting skills concurrently with group processing skills and other non-technical skills. A secondary objective of the case is to encourage students to engage with the technical learning material in the introductory accounting curriculum. This paper describes the design of an Industry Perspective Workshop Program that incorporates the comprehensive integration of group processing skills and accounting-related content within an introductory accounting decision-making course.

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Super Electronics, Inc.: Financial Reporting of Sales Incentives and Vendor Allowances Using FASB Codification.

Mahendra R. Gujarathi
Vol. 27, Issue 2 (2012), pp. 461-474

Abstract: Super Electronics, Inc., a specialty retailer, has recently initiated several sales incentives and has entered into a long-term purchase arrangement with a major vendor that entitles it to sliding discounts based on its level of purchases. Using FASB Accounting Standards Codification, you are to determine whether the Company's existing policies comply with Generally Accepted Accounting Principles (GAAP). You are also required to evaluate the soundness of the proposals that SE's management has made during the process of annual audit and explore plausible motivations behind them. The case provides an opportunity to examine several technical and conceptual accounting issues in a real-world setting, strengthen accounting research capabilities, understand implications of the choice of an accounting policy for performance measurement and financial statement analysis, and develop advanced critical thinking and professional judgment skills.

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Responding to the Leadership Needs of the Accounting Profession: A Module for Developing a Leadership Mindset in Accounting Students.

Janel Bloch, Peter C. Brewer, and David E. Stout
Vol. 27, Issue 2 (2012), pp. 525-554

Abstract: Surveys of practitioners point to the importance of leadership skills in the accounting profession. However, leadership is not currently emphasized much within accounting curricula. Further, a review of the accounting education literature indicates a lack of instructional resources for accounting faculty desiring to help students develop leadership skills. As a result, accounting students may graduate without the mindset required to think of themselves as potential leaders. Therefore, there are opportunities to add value to accounting curricula by intervening in the area of leadership development. This article describes one such intervention that can be used as part of a comprehensive approach to leadership development. The primary goal of this three-week module is modest but important: to help instill a leadership mindset in accounting students. The class-tested module consists of targeted cases

and supplementary readings covering six primary leadership topics. These topics were selected to build upon leadership material covered in a basic management course. While the module was used in undergraduate cost accounting, it (or a suitably reduced version of it) is appropriate for use in other accounting courses, particularly upper-level courses. This article offers implementation guidance and resources for the accounting instructor, including access to electronic files that can be used to teach the module. Assessment data from the students who recently completed this module indicate that they viewed the module as a beneficial learning experience.

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Good Intentions at Good Grains, Inc.

Susan B. Hughes, Cathy Beaudoin, and Russell Boedeker
Vol. 28, Issue 1 (2013), pp. 115-129

Abstract: This case addresses the "gray" area associated with the use of accounting discretion as it relates to expense line item reclassifications. Such a context allows for an examination of the pressures that influence accounting decisions, and provides a glimpse into how managers might manage reported expenses. The reader meets analyst David Johnson when, as a result of both internal and external pressure to keep research and development (R&D) costs within budget, he is asked to find ways to reclassify R&D costs into other expense areas. As a result of the request, David immerses himself in the task in order to identify, within generally accepted accounting principles (GAAP), opportunities to reclassify R&D expenses to cost of goods sold. He ultimately proposes three separate reclassification entries that, although technically within GAAP guidelines, involve the use of accounting discretion. All three entries are approved by the accounting team. Financial accounting, managerial accounting, and M.B.A. students report that the case enhanced their knowledge of financial reporting and helped them understand ethical considerations associated with the preparation of financial statements. Accounting professionals report the case realistically depicts what accountants face in the workplace. A case extension using International Financial Reporting Standards (IFRS) is also provided.

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Sunshine Daycare Center: Growing a Business to Profitability.

Peggy Ann Hughes
Vol. 28, Issue 2 (2013), pp. 323-335

Abstract: This case study allows management accounting students to use skills developed in the course. Students practice cost function development and breakeven analysis. Students work in teams to understand the budget and actual results of a small business. They then choose marketing options and integrate the selections into a budget. This is an opportunity to use cost estimation, variance analysis, cost/volume/profit analysis, and budgeting. It also provides practice using Excel in business report formats.

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Encouraging the Development of Critical Thinking Skills in the Introductory Accounting Courses Using the Challenge Problem Approach

Marilyn Young and D. Lee Warren
Vol. 26, Issue 4 (2011) pp. 859-881

Abstract: There are many obstacles to including critical thinking as a learning objective in Introductory Accounting courses. However, the presence of these obstacles does not change the collective conclusion from the accounting profession that critical thinking skills are a prerequisite for a successful

accounting career and that accounting educators should assist students in the development of these skills. The purpose of this paper is to present a learning strategy, entitled the Challenge Problem approach, to encourage the development of critical thinking skills in Introductory Accounting courses. Under this approach, the development of critical thinking skills is a primary learning objective of Introductory Accounting courses that is fostered by an active learning environment in the classroom and supported by an experiential learning pedagogy. In addition, critical thinking skills are tested on each exam with a Challenge Problem. This paper presents two examples of Challenge Problems, along with rubrics to evaluate the students' performance. The rubrics identify the strengths and weaknesses in the students' critical thinking abilities and can improve the design of future critical thinking exercises in principles courses.

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An Imperfect Measurement System Introduction to Accounting

Daniel P. Tinkelman

Vol. 26, Issue 4 (2011) pp. 845-857

Abstract: The process of measuring, and reporting measurements, is fundamental in scientific and business activity. I propose introducing accounting as an example of a measurement system, albeit an imperfect one. The accounting measurement system includes: users and their decision models, attributes of objects to be measured, measurement rules, methods of accumulating measurements, reports, rule-makers, measurers, and verifiers. By looking at how accounting measures different business activities, this approach encourages the teaching of general measurement, reporting, and analytical skills. (For nonaccounting students, the concepts of measurement are clearly transferable to other fields.) It allows a logical, interesting presentation of accounting topics, and highlights links to other academic fields. An important feature of this approach is considering such pervasive measurement issues as uncertainty and allocations. Students examining accounting's imperfections are encouraged to think critically about accounting rules, and can understand why accounting changes over time.

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Teaching Inventory Accounting: A Simple Learning Strategy to Achieve Student Understanding

Rochelle K. Greenberg and Neil A. Wilner

Vol. 26, Issue 4 (2011) pp. 835-844

Abstract: This learning strategy offers an efficient and effective technique for teaching inventory in the introductory financial accounting course. It is motivated by the belief that many students memorize how to calculate the cost of goods sold and ending inventory under different cost flow assumptions, but that few understand the subject. This fundamental lack of understanding prohibits them from fully appreciating other issues, such as the difference between the physical flow and the cost flow assumption, the relevance of the cost flow assumption when computing cost of goods sold and income, and the irrelevance of the cost flow assumption when computing cash flow unless taxes are considered. Our learning strategy involves a convenience store selling three bottles of water. Inventory flow, cash flow, and the calculations of cost of goods sold, income, and ending inventory are illustrated under the first-in, first-out method; the last-in, first-out method; the weighted-average method; and specific identification.

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Tressler Fire the Big Box!?

Thomas L Zeller, Thomas J Palzer, and Andrew D Tressler

Vol. 26, Issue 2 (2011) pp. 421-438

Abstract: Durable Glove, Inc. faces a common problem. The traditional reporting system does not capture a valid measure of customer profitability. The reporting structure no longer captures how customers consume resources differently throughout the value chain. Their value chain begins in Asia and ends at the United States (U.S.) retail storefront. Management is searching for a better reporting solution in their efforts to increase shareholders' value.

In this case, you make an important recommendation to Durable Glove's management. Should management decide to keep or to fire the Big Box retailer? You base the recommendation upon allocations and customer profitability reports that show how customers consume resources differently. The spreadsheet template¹ that complements this case provides a structure for the allocations and reports. The completed reports capture an approximation of Durable Glove's customer profitability. You evaluate the reports and make a recommendation to improve Durable Glove's customer profitability, which focuses on keeping or firing the Big Box customer.

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Cilindro del Sur and United Gas Products: An International Application of the Strategic Cost Management Framework

Thomas G. Canace and Paul E. Juras
Vol. 26, Issue 2 (2011) pp. 321-339

Abstract: This case provides students with an opportunity to apply project valuation methodologies in an international context. The dynamics of the case offer more complexity than typical textbook capital budgeting problems because, while the identity has been disguised, the case is based on a real company. We complement recent pedagogical literature on strategic cost management (Blocher 2009) by applying a five-stage information value chain to our case setting. Students must consider both the financial and strategic factors to make a unified decision about whether an industrial gases joint venture should expand operations into Guatemala. Students are asked to perform thorough financial analysis using advanced spreadsheet modeling techniques to support their decision. Equally important, they are required to research the socio-political-economic factors, and to assess the joint venture's competitive and strategic landscape. The primary deliverable is a written recommendation, in the form of a business case, which is submitted to the Vice President of the U.S. joint venture partner. This component addresses concerns raised in recent literature (Matherly and Burney 2009) about the lack of emphasis in current accounting curricula on developing students' writing competencies in a relevant context.

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A Case Study on Cost Estimation and Profitability Analysis at Continental Airlines

Francisco J. Roma'n
Vol. 26, Issue 1 (2011) pp. 181-200

Abstract: This case exposes students to the application of regression analyses to be used as a tool pursuant to understanding cost behavior and forecasting future costs using publicly available data from Continental Airlines. Specifically, the case focuses on the harsh financial situation faced by Continental as a result of the recent financial crisis and the challenges it faces to remain profitable. It then highlights the importance of reducing and controlling costs as a viable strategy to restore profitability and how regression analysis can assist in this pursuit. Students are next presented with quarterly data for various categories of costs and several potential cost drivers, which they must use to perform regressions on operating costs using a variety of cost drivers. They must then use their regression results to forecast operating costs and conduct a profitability analysis to project quarterly profits for the upcoming fiscal year. Finally, students must summarize the main results of their analysis in a memorandum addressed to Continental's management, providing recommendations to restore profits. In particular, the concept of mixed cost functions is reinforced, as is the understanding of the steps required to perform regression analysis in Excel, interpreting the regression output, and the underlying standard assumptions in

regression analysis. The case has been tested and well received in an intermediate cost accounting course and it is suitable for both undergraduate and graduate students.

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Financial Analysis of Krispy Kreme's Earnings Forecasts, Joint Venture Investments, and Franchise Repurchases

Michael Calegari
Vol. 25, Issue 1 (2010) pp. 85-118

Abstract: Like many restaurant chains, Krispy Kreme Doughnuts earns revenues from both company-owned stores and from franchisee-owned stores. Following its April 2000 IPO, Krispy Kreme Doughnuts entered into several joint ventures with franchisees to develop new stores. In some situations, the Company also re-acquired franchise rights from its franchisees. This case provides you with the opportunity to assess analyst forecasts of Krispy Kreme's earnings following the release of its February 3, 2002 financial statements. Through analysis of footnote disclosures on the Company's joint ventures and repurchased franchises, you will identify potential problems with Krispy Kreme's business outlook that were not discussed in the analyst reports.

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Activity-Based Management in a Medical Practice: A Case Study Emphasizing the AICPA's Core Competencies

Gail Kaciuba and Gary H. Siegel
Vol. 24, Issue 4 (2009) pp. 553-577

Abstract: Activity-based management uses information from an activity-based costing (ABC) system for both recurring and nonrecurring management decisions. In this case study, an ABC system that assigned only indirect costs to the final cost objects has already been created and students must expand this ABC system to include the assignment of direct costs to the cost objects, and then compare these total unit costs to the revenue collected for each cost object. Students then analyze this cost and revenue information to give advice to management about case mix, capacity constraints, and mergers.

In the health care industry, most medical practices have little control over customer demand for services or the amount that a practice will be reimbursed for its services. Students are asked to comment on the ethical and social implications of this fact, in the context of the results of their profitability analyses for a particular thoracic surgery practice. This case assists students in the development of a large number of competencies found in the AICPA Core Competency Framework.

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An Analysis of Southwest Airlines: Applying the Horngren, Datar, and Foster (2006) Strategic Profitability Analysis Approach

Charles D. Bailey, Allison B. Collins, Denton L. Collins, and Kenneth R. Lambert
Vol. 24, Issue 4 (2009) pp. 539-551

Abstract: This case requires students to collect financial and operational data from Southwest Airlines' 2003-2006 annual reports and to use that data to conduct a strategic profitability analysis of the firm's changes in operating income. As described in Horngren et al. (2006), this analysis decomposes changes in a firm's operating income into components related to *growth*, *price recovery*, and *productivity*. Similar to other studies (e.g., Dikolli and Sedatole 2004), this case uses publicly available data to link textbook concepts to "real world" applications. Linking strategy with profitability allows students to see how firms manage inputs in order to compete, grow, and profit in output markets.

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An Instructional Case: Cost Concepts and Managerial Analysis

L. Melissa Walters and Teresa M. Pergola
Vol. 24, Issue 4 (2009) pp. 531-538

Abstract: This case is designed to help you develop a working understanding of fundamental cost concepts (cost behavior, cost traceability, cost flexibility, and unit costs) and the proper use of cost data for managerial analysis purposes. The case narrative describes a business scenario and a problematic managerial analysis based on certain cost data. The case requirements ask you to apply basic cost concepts to analyze the cost data, evaluate the use of cost data in the analysis described in the case narrative, and then effectively communicate the results of your analysis and evaluation in the form of a professional written memo.

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Using Peer-Reviewed Writing in the Accounting Curriculum: A Teaching Note

Michele Matherly and Laurie Burney
Vol. 24, Issue 3 (2009) pp. 393-413

Abstract: To become successful professionals, accounting students must be able to write effectively. Yet, as faculty, we recognize that many of our students need to improve the quality of their writing. At the same time, we often struggle to find sufficient time to cover course content, much less to devote time and energy to address students' writing competencies. In this teaching note, we describe a writing framework that is a manageable tool for integrating writing activities into courses. The framework incorporates peer review along with features, such as repetition, that prior research suggests lead to writing improvements. The framework provides added benefits by allowing students to review others' work (a typical accounting task), engaging them in critical thinking activities, and exposing them to more course content knowledge. Using a sample of 155 students, the results support our contention that our framework improves students' written communication.

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Instructional Case: Estimating Learning-Curve Functions for Managerial Planning, Control, and Decision-Making

David E. Stout and Paul E. Juras
Vol. 24, Issue 2 (2009) pp. 195-217

Abstract: Elora Electronics, Limited (EEL), a fictitious company, manufactures sophisticated, high-tech electronic equipment. Though successful in the past, the company has seen a decline in the number of bids it has won. Management is especially concerned about the bids the company recently lost on one of its main products, a sophisticated radar system. Most of the contracts for EEL, including those for the radar system, are bid on a "cost-plus" basis. Up to this point, divisional managers have used a simple average of recent actual costs to estimate costs for contract-bidding purposes. Such a procedure was deemed useful for cost-control purposes because actual costs have consistently been below budgeted costs. However, given the changed competitive environment in which EEL now finds itself, these managers are now wondering whether the contract-bidding process can be made more successful through the use of a more sophisticated approach to cost estimation.

For purposes of completing this case, assume that you were recently hired by EEL as a management accountant for the Radar Unit. For your first assignment you have been asked to use Excel (or other software, such as SPSS) to analyze and model the direct labor-hour (DLH) consumption associated with

the production of radar units. (The production of these units requires a significant amount of highly skilled labor.) You have a set of historical observations to which you've been asked to fit both linear and nonlinear functions (in the form of learning curves); these observations relate to the last 14 radar units produced by EEL. Among other tasks, you will need to generate and interpret for management the statistical output associated with the model-fitting task and to recommend to the company a particular model for cost-estimation purposes. There is an expectation that the model you recommend will be used by EEL for contract-bidding purposes. To prepare adequately for your cost-analysis project, you will need to complete two "refresher" tutorials presented as appendices to the case.

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Statoil ASA: Global Energy Company

Kenneth R. Ferris and Graeme W. Rankine
Vol. 23, Issue 3 (2008) pp. 467-480

Abstract: The article presents information for a case study of Statoil ASA. Analyst Jan Muska must decide whether to recommend the purchase of Statoil shares for a fund he provides research to. Among the issues that affect his thinking are whether Statoil's future returns could justify its cost of capital, and whether Statoil might be involved in any future merger activity as either a target or an acquirer. Among the copious data provided to assist Muska in his analysis are a chart tracking the performance of Statoil's shares, Statoil income and cash flow statements for three years, balance sheets for two years, and substantial footnotes.

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Detecting Spreadsheet Errors: An Education Case

Diane J. Janvrin
Vol. 23, Issue 3 (2008) pp. 435-454

Abstract: In the past two decades, computing applications developed by non-system professionals have increased dramatically throughout the professional accounting and business community. Unfortunately, prior research indicates that many end-user computing applications such as spreadsheets contain difficult-to-detect errors. Relying on these error-prone applications, professionals may make inappropriate decisions that can negatively impact financial results. This case enhances students' understanding of end-user computing risk by illustrating the difficulty of detecting errors in spreadsheets. Furthermore, this case helps students improve their ability to detect spreadsheet errors.

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Quality Engineering Services: A Capital Investment Decision

Thomas L. Zeller and Brian B. Stanko
Vol. 23, Issue 2 (2008) pp. 327-342

Abstract: Quality Engineering Services has determined that it must update its information technology system. The system as configured no longer provides the information the company needs to remain competitive. In this case, you will critically evaluate the risk of two mutually exclusive capital investment alternatives: either to (1) install a new information technology system or (2) update the existing IT system, and then make a capital investment recommendation to Quality Engineering Services' managing partners. Your task is to develop cash flow estimates based upon good, yet incomplete information, much like a real business decision. The spreadsheet template that complements this case provides: (1) a range of net present value estimates for each option and (2) comparative distributions for you to evaluate in making a recommendation to the company's managing partners.

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Baier Building Products, Inc.: Performance Incentives and Variance Analysis in Sales Distribution

Barbara A. Lamberton
Vol. 23, Issue 2 (2008) pp. 281-290

Abstract: Faced with price volatility and changes in key personnel responsibilities, a small privately held distributor of commodity building products with limited resources needs to re-evaluate its performance incentives. The company's owners and controller need your help in assessing the extent to which the current compensation scheme has encouraged opportunistic behavior, resulting in large commissions without significant movement toward the company's strategic objectives. By completing this case successfully, you will learn how to develop a balanced scorecard suitable for a small sales distribution business and learn how to compute and interpret marketing variances.

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Jamestown Electric Supply Company: Assessing Customer Profitability

Lester E. Heitger and Dan L. Heitger
Vol. 23, Issue 2 (2008) pp. 261-280

Abstract: Customers increasingly demand that companies offer a wide variety of products and services. As a result, many companies spend millions of dollars conducting profitability analyses of their customers. For instance, the banking industry alone spends an estimated \$500 million per year on customer profitability analyses. Accordingly, customer profitability analysis is listed as one of the recent major developments in managerial accounting (Cotton 2005). Customer profitability analysis refers to the practice of estimating the profitability of individual customers and identifying both customers that create value for the company and, just as importantly, those customers that destroy value. Effective customer profitability analysis provides the company with a strong competitive advantage by improving key strategic and operating decisions involving customer selection and retention. For example, Sprint Nextel drew the attention of investors, analysts, and customers alike when it "fired" 1,000 of its worst customers via a form letter (Srivastava 2007). This case reflects the experiences of several international companies in the automotive supply industry and provides you with an opportunity to enhance your knowledge about customer profitability. First, the case demonstrates the importance of customer profitability analysis. Second, the case enhances your ability to perform customer profitability analysis. Third, it helps you improve your critical thinking and analytical reasoning skills. Finally, the case enables you to integrate business knowledge across functional boundaries.

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Kofenya: The Role of Accounting Information in Managing the Risks of a New Business

Brian Ballou, Dan L. Heitger
Vol. 23, Issue 2 (2008) pp. 211-228

Abstract: With its focus on two student entrepreneurs who successfully opened an espresso cafe', this case illustrates how accounting information can be used to measure performance and control business risks with respect to new businesses. Also, this case encourages you to consider the potential financial outcomes of various risk response options linked to strategic and operating decisions. By completing this case successfully, you should develop a better appreciation for business model development, business process identification, performance measurement, and risk assessment.

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Svenska Handelsbanken: Controlling a Radically Decentralized Organization without Budgets

R. Murray Lindsay and Theresa Libby
Vol. 22, Issue 4 (2007) pp. 625-640

Abstract: Svenska Handelsbanken was the large national Swedish bank that provided the exemplar case for the idea that organizations could abandon budgets and operate successfully, or perhaps operate even more successfully, without them. In this case, Nancy Cartwright, a senior executive in a large Canadian financial services corporation, had just been introduced to the Handelsbanken case and the Beyond Budgeting idea. She was intrigued by the idea that companies could abandon budgets while implementing a new more decentralized model of management control. She wondered whether these ideas could work beyond Handelsbanken and, in particular, outside of Scandinavia.

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Economic Experiments for the Management Accounting Classroom

Steven T. Schwartz, David E. Wallin, and Richard A. Young
Vol. 22, Issue 3 (2007) pp. 515-534

Abstract: The article focuses on economic experiments for the management of accounting classrooms. The author presents three management accounting experiments designed for classroom use which focus on first-order effects and ease both implementation and interpretation together. The article reveals that these experiments can be introduced into courses ranging from introductory management accounting through first-year doctoral seminars. The author argues that the advantage of using an experimental economics approach to instruction is because it allows complex material to be introduced intuitively.

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Falcon, Inc.: Performance Evaluation of Foreign Subsidiaries

Mahendra R. Gujarathi and Vijay Govindarajan
Vol. 22, Issue 2 (2007) pp. 233-245

Abstract: This multifaceted, decision-oriented case requires you to address several issues in performance evaluation in an international context. In the process of reviewing the annual performance of its foreign subsidiaries, Falcon's CEO raises concerns about the performance evaluation metric and the effect of exchange rate changes on the competitive positions of foreign subsidiary managers in Denmark and Japan. The case requires you to assess the strengths and weaknesses of Falcon's performance evaluation system, examine the appropriateness of country managers' responses to exchange rate changes, understand the difference between evaluation of business units and their respective managers, and recommend improvements in the performance evaluation system.

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Using Active Student-Centered Learning-Based Instructional Design to Develop Faculty and Improve Course Design, Delivery, and Evaluation

David Lavoie and Andrew J. Rosman
Vol. 22, Issue 1 (2007) pp. 105-118

Abstract: This paper describes how the Resource-Enriched Learning Model (RELM), an active student-centered approach to faculty development and course design, delivery, and evaluation (Lavoie 2001), has been applied to develop an online Master of Science in Accounting Program. With its focus on the processes underlying quality teaching and learning, RELM provides faculty with a skill set learned in the

same environment that they ultimately will create for their students. Having experienced active learning firsthand in the online environment, faculty are better prepared to create a similar learning environment for their students.

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Using 10-K Reports Brings Management Accounting to Life

E. Michael Bamber and Linda Smith Bamber
Vol. 21, Issue 3 (2006) pp. 267-290

Abstract: The accounting profession and business community have called for educators to present accounting in more realistic business contexts. Annual reports and 10-Ks provide a wealth of information that brings accounting to life, but use of these reports is typically confined to financial accounting courses. The first objective of this paper is to describe a process by which instructors can use a real company's 10-K to create a series of mini-cases for cost and management accounting courses. These cases are intended to bridge the gap between typical end-of-chapter problems and full-blown Harvard-style cases. A series of cases based on the same company not only increases student interest, but is also an efficient way to help students understand and start to grapple with the ambiguity and complexity inherent in real-world management accounting (factors absent from most structured textbook problems). Applying a variety of different management accounting tools and techniques to the same company helps students integrate what can appear to be a large set of loosely related topics, and better appreciate the broad role management accounting plays in supporting strategic business decisions.

Our second objective is to provide a specific illustration of a series of 10-K-based cases. We have successfully used these cases in both the undergraduate junior level cost/management accounting course, and in M.B.A. introductory core and elective courses.

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Team Building: Guidance for Accounting Educators

Stephanie M. Bryant and Susan M. Albring
Vol. 21, Issue 3 (2006) pp. 241-265

Abstract: Accounting educators are charged by a multitude of professional bodies with instilling the skill of team building in their accounting students. However, accounting educators often do not have the background in the myriad disciplines required to effectively impart team-building techniques. This paper reviews the sociology, industrial psychology, and organizational behavior literature and applies that literature to accounting to help accounting educators identify effective team-building techniques. We review the major models and theories of team building and draw on these theories and selected prior research outside accounting to provide guidelines for educators who wish to promote team-building competencies within group projects.

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The Importance of Commitments: A Case Study of a Broken Promise

Robert Bloom and William J. Cenker
Vol. 20, No. 4, November 2005, pp. 359-364

Abstract: The aim of this teaching case is to motivate students to consider the importance of commitments, especially ones made during the recruitment process. The case focuses on a student who has reneged on a previously accepted employment offer from an accounting firm. Most suitable for use in accounting and auditing courses at the undergraduate level, this case would be particularly useful if presented prior to the recruiting season.

In analyzing the case, students are expected to first address the importance of commitments and then to narrow the focus of commitments in employment settings. Students must consider the implications of breaking employment commitments to other individuals involved, the firm, and the university. This case can help students achieve a better understanding of the important relationship between accounting firms and universities as well as a better appreciation for the human resource function in accounting firms.

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BuyGasCo Corporation: The Use of Alternative Costing Methods in a Predatory Pricing Lawsuit

Thomas L. Barton, John B. MacArthur, and Rebecca L. Moore
Vol. 20, No. 4, November 2005, pp. 341-357

Abstract: The purpose of the BuyGasCo Corporation (BuyGasCo) case is to introduce and evaluate the use of different costing systems as evidence in a predatory pricing lawsuit. The setting of this case is a major chain of retail motor fuel (gasoline) service centers, which has been accused of selling regular gasoline below cost (as defined under Florida state statutes). The judge accepted the volume-based method used by the plaintiff and issued an injunction disallowing BuyGasCo from selling regular gasoline below cost as concluded in the plaintiff's report. BuyGasCo retained an accounting professor from the local university as an expert witness for the defense to determine if activity-based costing (ABC) analysis would provide grounds for a possible appeal of the judge's ruling.

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Activity-based Costing and Cost Interdependencies among Products: The Denim Finishing Company

Dennis Caplan, Nahum D. Melumad, and Amir Ziv
Vol. 20, No. 1 (February 2005), pp. 51-62

Abstract: A fictional example illustrates how interdependencies among products in the production process, and the costs associated with those interdependencies, challenge the ability of cost accounting systems to generate decision-useful product cost information. The cost interdependency in the current example is a production-line change-over cost that is incurred to retool a machine whenever the production process changes from one product to another. Both marginal costing and full-cost activity-based costing (ABC) are employed in an attempt to provide decision-relevant product-level information in connection with the decision to add a new product.

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Calvados - Business Game for Your Cost Accounting Course

Andreas Hoffjan
Vol. 20, No. 1 (February 2005), pp. 63-80

Abstract: Conventional computer-assisted business games are often too complex for university teaching, require too much preparation, and are very time consuming. For these reasons, they are generally only offered parallel to other courses. This article introduces a short business game called Calvados, which can be played without computer support. In terms of content and length, the game can be integrated into the limited time frame of a cost accounting course. As an example, the business game uses the production of French apple brandy and considers relevant costs, opportunity costs, and, in particular, the determination of the optional internal transfer price. In order to make the use of Calvados as practical as possible, a detailed description of the game and teaching assignments is provided in the article. In addition, the overall arithmetical solution to the tasks dealt with in the business game is introduced using the Lagrange approach.

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Compliance with Title IX at Kingston State University: A Case Study on Cost Allocation and Ethical Decision Making

John T. Reisch and Larry P. Seese
Vol. 20, No. 1 (February 2005), pp. 81-97

Abstract: We present a case that focuses on the allocation of costs between men's and women's sports. At issue is whether large portions of indirect costs can or should be allocated to women's sports to keep a university in compliance with Title IX, the federal law promoting gender equality in collegiate athletics. Students are instructed to use an ethical decision-making model when addressing the cost allocation issue and deciding whether it is ethical for accountants to "play" with the numbers to achieve certain objectives. The cost allocation alternatives generated by students are appropriate for managerial accounting courses at both the undergraduate and graduate levels. The case also helps students to develop a systematic approach when solving ethical dilemmas. Students are required to identify potential stakeholders of the decision to allocate costs and to assess the interests of the different stakeholders. After developing potential alternatives and determining how each decision could affect the stakeholders, students must make a cost allocation decision that is consistent with the fundamental qualities of the accounting profession—honesty, competence, objectivity, and integrity. In addition to gaining exposure to cost allocation methods and ethical decision-making, students are exposed to several core educational competencies identified in the AICPA Core Competency Framework (AICPA 1999).

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Delta's New Song: A Case on Cost Estimation in the Airline Industry

Shane S. Dikolli and Karen L. Sedatole
Vol. 19, No. 3 (2004), pp. 345-358

Abstract: This case provides the opportunity to use various empirical techniques (i.e., high-low method, simple regression, and multiple regression) in the estimation of cost functions. The case uses the airline industry as the setting for this analysis and, in particular, focuses on the efforts of Delta Airlines to plan for salaries, the cost category that dominates its income statement. The case provides the data and opportunity to learn the details of cost function estimation, but more importantly, it provides a rich setting in which issues related to the interpretation of these cost functions can be discussed. Finally, the entry of Delta into the low-cost carrier segment with its formation of Song provides a unique opportunity to think about how the cost function of an established full-service airline compares to that of a low-fare startup. Data from successful newcomer JetBlue is used to illustrate these differences. More generally, the case shows how the use of historical costs and cost estimation techniques can facilitate decision-making about entry into new product markets.

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The Evolution from Taylorism to Employee Gainsharing: A Case Study Examining John Deere's Continuous Improvement Pay Plan

Geoffrey B. Sprinkle and Michael G. Williamson
Vol. 19, No. 4 (2004), pp. 487-503

Abstract: With over \$15 billion in annual sales, John Deere is one of the largest equipment manufacturing and distribution organizations in the world and is widely known as the world's premier producer of agricultural equipment. In the wake of significant downturns in the U.S. agriculture industry during the 1980's, John Deere believed it needed to change the manner in which employee performance was measured and rewarded. Specifically, after decades of using an individual-based, standard-hour compensation plan in its manufacturing facilities, John Deere decided to install a team-based

gain-sharing plan that it believed would encourage more cooperation, innovation, and higher levels of motivation from its employees. This case provides students the opportunity to experience real-world conflicts of interest between employees and employers, and the integral role that accounting-based performance measurement and reward systems play in resolving these conflicts. This case also provides students the opportunity to critically evaluate the theoretical strengths and weaknesses of two common compensation plans from the perspectives of both John Deere and its employees. Such juxtaposition allows students to see the inherent trade-offs in designing compensation systems, thereby improving students' understanding of optimal control system design.

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Pilgrims Manufacturing, Inc.: Activity-Based Costing versus Volume-Based Costing

Mohamed E. A. Hussein and Kinsun Tam
Vol. 19, No. 4 (2004), pp. 539-553

Abstract: This is a case about the allocation of support costs in a manufacturing company that has two plants, a labor-intensive machine shop and an automated-machine-intensive plant. It is a simple case with a limited number of cost pools and cost drivers to help students see both the structure and flow of support costs. It is an interactive online case that starts with a traditional volume-based allocation system that has one company-wide cost pool (<http://www.nobelresearch.com/macc/index.html>). It works through several examples of two cost centers using volume-based allocations and ends with an activity-based cost (ABC) system that has six activity cost pools plus a combination of volume-based and transaction-based cost drivers. The ABC system has an alternative that treats non-manufacturing costs, such as marketing and design and engineering costs, as product costs.

The case should help students grasp the conceptual and computational differences between traditional volume-based systems and ABC systems and recognize the fact that significant portions of support costs in multi-product organizations are not volume-based. By working through the case students should acquire skills necessary to identify activities and cost drivers. It also illustrates the importance of marketing, customer support, and design and engineering support in measuring the profitability of products and/or customers. Additionally, the case is flexible enough to be combined with readings and other additional assignments in advanced management accounting courses.

All computations are done automatically to free students to concentrate on making decisions concerning cost pools and cost drivers, as well as on formulating recommendations for senior management. For instructors who would like students to see the mechanics of number generations in the calculations of cost allocations and product costs determination, we have included an optional question (Requirement 6) that requires students to use a worksheet to allocate overhead costs to activities and compute the unit cost for each of the four products.

In summary, several features make this case a significant addition to the currently available ABC cases. The Internet-based pull-down menu feature is simple enough to use in introductory undergraduate management accounting courses. Having the case on the Internet allows the importation and incorporation of materials from other sources in the discussion and solutions. Since the case is feely available through the Internet, instructors need not waste time copying the case onto diskettes for students. In this interactive case, students make decisions about cost pools and cost drivers, and the computations are done automatically. The automatic computation facility frees students from what one M.B.A. student called "Excel grind," but allows students to see how changes in cost pools and cost drivers result in different product costs. Finally, the case is comprehensive. It starts with the distribution of expenses to activity cost pools through the allocation of cost to products, and it includes both manufacturing and non-manufacturing costs.

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The ALLTEL Pavilion Case: Strategy and CVP Analysis

Edward Blocher and Kung H. Chen
Vol. 19, No. 4 (2004), pp. 555-565

Abstract: The ALLTEL Pavilion case is intended for the undergraduate management accounting or cost accounting course and the M.B.A. management accounting course. It provides an excellent context in which to examine strategic issues in using cost-volume-profit (CVP) analysis in a service business. Based on an actual entertainment pavilion, the case develops many factors unique to a service business and illustrates how pavilion management can use CVP analysis to determine which artists to attract and what kinds of contracts to have with these performers. The Pavilion has two types of customers (paying ticket holders and free ticket holders) and earns profits from three types of revenues (ticket revenues, concession revenues, and parking fees). The case requires students to identify the best strategy for different types of artists, conduct cost-volume-profit analyses, consider the strategic issues related to operating leverage and how this affects the choice of performer and contract, and assess pricing strategies.

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John Adams, Thomas Jefferson, and the Barbary Pirates: An Illustration of Relevant Costs for Decision Making

Dennis Caplan
Vol. 18, No. 3 (August 2003), pp.265-273

Abstract: The concepts of incremental cost, opportunity cost, sunk cost, and cost allocation are identified and discussed in the context of early U.S. foreign policy. The case is derived from an authentic exchange of views between Thomas Jefferson and John Adams about how the United States should protect its merchant shipping against the Barbary pirates. Both men compare the cost of waging war against the Barbary States with the cost of paying ransom for captured U.S. seamen and bribes to protect future shipping. Adams quantifies the opportunity cost associated with not taking any action. Jefferson articulates an incremental costing argument, on the assumption that the U.S. should build a navy regardless of U.S. policy toward the Barbary States. The case constitutes a brief introduction to management accounting by illustrating various cost concepts. The case lends itself to a discussion of how cost information can be chosen to support a particular course of action, and it can also prompt a discussion of the historical origins of management accounting.

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Developing, Marketing, Distributing, and Supporting an Activity-Based Costing Decision Support System for Schrader Bellows

Kimberly J. Smith
Vol. 18, No. 2 (May 2003), pp. 175-189

Abstract: In this project students develop a database system that allows their clients to model different activity-based costing allocation schemes to calculate product costs. Students develop a website to market, distribute, and support their systems. They are required to "sell" their system to actual clients and to provide user support while the system is in use.

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Global Electronics, Inc.: ABC Implementation and the Change Management Process

Peter C. Brewer, Paul E. Juras, and E. Richard Brownlee II
Vol.18, No.1, February 2003, pp.49-69

Abstract: Descriptions of activity-based-costing (ABC) systems have become a standard part of

managerial accounting texts. While ABC implementation issues are the focus of a number of articles, these issues are often not addressed in a typical textbook. This case is designed to familiarize you with the behavioral and technical variables that can aid or impede successful ABC implementation. Anderson's (1995) factor-stage model provides a template to organize the discussion of ABC success factors. In this case, you will be cast in the role of a business consultant. You are asked to synthesize the case study's key "change management" insights into a report that could be shared with co-workers in an intranet-based knowledge management system. In addition, you may be expected to prepare a formal presentation of the report for your peers.

Implementing change in an organization is about ninety percent cultural and ten percent technical. This is because the organization dynamics, politics, and search for a champion that go on are the real issues that make or break the project. One of the reasons we were able to implement ABC successfully was because the right people became champions. -Chris Richards, Director of MIS, Global Electronics, Inc.

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The Same Difference? A Transfer-Pricing Case

Tammi S. Feltham, Fred Phillips, and Norman T. Sheehan
Vol. 18, No. 1, February 2003, pp. 93-99

Abstract: This case requires you to consider the complexities of transfer pricing. The case is based on an actual situation that occurred between a customer sales representative and a client at an auto dealership. In this case, you will be asked to assume several different roles and attempt to resolve transfer-pricing issues for which there are no "clear-cut" solutions. This case includes three sections. First, you will read assigned background material on transfer pricing, read a short introduction to the case, and become familiarized, through class discussion, with how auto dealerships operate with respect to new and used car sales. Second, you will analyze additional information so that you may assume a particular role, such as new car manager or used car manager. Third, you will assume the role of the newly appointed controller of the dealership and attempt to address and resolve the transfer-pricing issues in this case. By completing this case, you will develop an understanding of alternative transfer-pricing policies (market price, acquisition cost, and negotiated price) and the impact of transfer-pricing policies on various parties, as well as come to appreciate how bonus structures may influence managerial decision making.

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Integrating Profit Variance Analysis and Capacity Costing to Provide Better Managerial Information

Ramji Balakrishnan and Geoffrey B. Sprinkle
Vol.17, No.2, May 2002, pp.148-161

Abstract: We present a framework for integrating profit variance analysis and capacity costing to provide better managerial information. The framework expands traditional variance analysis to incorporate planned and unplanned changes in inventory levels and the use of practical capacity to determine overhead rates. The framework has practical value because effective cost management and performance evaluation require ascertaining the costs (effects on profit) associated with capacity and the manner in which it is being used. Pedagogical value stems from connecting concepts underlying the choice of a denominator volume to set overhead rates, the profit effects of inventory changes, and variance analysis. By virtue of its generality, the framework enhances the value of capacity costing and profit variance analysis for management planning and control.

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A Linear Programming Framework for Flexible Budgeting and Its Application to Classroom Teaching

Massood Yahya-Zadeh
Vol.17, No.1, February 2002, pp.69-94

Abstract: Accounting educators and practitioners are well aware of the importance of increased competencies in analytical areas. In response to this need, authors of management accounting textbooks typically offer brief introductions to linear programming (LP), regression analysis, and decision theory. Most textbooks introduce LP in the context of optimal product-mix decisions. However, it is possible to incorporate LP into the discussion of other accounting topics, such as product costing and pricing, and financial and operational budgeting. (For a pioneering article on the subject of integrating activity-based costing and the theory of constraints, see Kee(1995), who applies integer programming to a numerical example in a fashion similar to what is done in this article.)

The paper demonstrates a method of incorporating LP into flexible budgeting and variance analysis. By incorporating production and market constraints into budgeting and variance analysis, the proposed method resolves some of the weaknesses of traditional flexible budgeting and offers a framework for integration of marketing and operations factors into accounting procedures. More specifically, the paper offers a revised definition of the flexible budget and a new procedure for determining flexible direct cost variances, overhead cost variances, and revenue variances. Further, this paper introduces a method of incorporating variance analysis into the theory of constraints and offers alternative measures of controlling throughput and operating expenses to companies implementing it.

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HCS: Designing a Balanced Scorecard in a Knowledge-Based Firm

Chris Moore, Beverly J. Rowe, and Sally K. Widener
Vol.16, No.4, November 2001, pp.569-602

Abstract: The purpose of this case is to enable you to design a performance measurement system using a balanced scorecard. This case is based on factual issues and decisions faced by the real-world managers and employees of Holloway Consulting Services (HCS) (names and dollar amounts have been changed). HCS is a service firm that provides its customers with managed business solutions, i.e., integrating outsourcing options with systems design and support. Currently, HCS collects several financial and operational performance measures; however, Sharon Holloway, owner of HCS, is concerned that these measures are not adequate for a firm that competes using intangible assets, especially human capital. Therefore, she plans to implement a balanced scorecard in which performance measures are linked to the firm's strategy. This case provides you with the opportunity to develop a balanced scorecard that incorporated both traditional and nontraditional performance measures within the strategic context of a knowledge-based firm.

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Activity-Based Costing in the Service Sector: The Buckeye National Bank

Linda Smith Bamber and K.E. Hughes II
Vol.16, No.3, August 2001, pp.381-408

Abstract: The U.S. Bureau of the Census projects that by 2006, the service sector will employ 74 percent of the workforce. This case illustrates why a major segment of the service sector-banks-needs accurate cost information to make strategic decisions, and how more refined accounting systems help fulfill this need.

Buckeye National Bank is a hypothetical bank that has suffered falling profits despite a shift in customer base toward retail customers, which the current information system reports are more profitable than business customers. Following a step-by-step approach, you will develop the Bank's average cost of serving a retail customer account and a business customer account, under (1) the Bank's traditional

single allocation base system, and (2) a (pilot test) activity-based costing system. You will analyze these results to determine how and why costs reported by the activity-based system differ from the costs reported by the traditional system, and what this difference means for the Bank's business strategy. Finally, you will consider how the Bank's managers can use the new, more refined activity-based cost data in strategic decision making, including controlling costs and developing more profitable business strategies.

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An ABC Simulation Focusing on Incentive and Innovation

Andrea Drake, Susan F. Haka, and Sue P. Ravenscroft
Vol.16, No.3, August 2001, pp. 443-472

Abstract: Current textbooks advocate activity-based costing (ABC) because it provides more detailed information on resource usage, leading to better cost control and reengineering of production processes. However, there is often little attention paid to how other organizational control features can affect the use of the information provided by ABC systems. This active learning simulation demonstrates that incentives can have a significant impact on how workers use ABC information to manage costs and innovate a production process. The simulation involves two student teams that are furnished with identical ABC cost driver information and either a tournament- or group-based incentive structure. The teams simulate a factory environment by creating products using a simple manufacturing process, while the remaining students observe the process and record differences in communication, innovative activity, and resulting profitability. The teams' outcomes under the two separate incentives illustrate the interaction of a firm's cost system with its incentive system. Typically, we find that more communication occurs among team members, more team-based innovations are created, and profits is higher under group incentives, may not result in the desired cost control and process reengineering benefits. In this simulation, students are directly involved in providing the data, so they find the inferences drawn to be compelling.

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Questrom vs. Federated Department Stores, Inc: A Question of Equity Value

Gary K. Taylor, William D. Samson, and Benton Gup
Vol.16, No.2, May 2001, pp.223-256

Abstract: This case is based on a factual situation facing the courts. Allen Questrom, recently retired Chief Executive Officer (CEO) of Federated Department Stores, is suing the company for the amount of incentive compensation he earned during the five years he was Federated's CEO. This incentive compensation was to be based on the increase in the firm's total equity value over this five-year period, a time during which Questrom rescued the retailer from bankruptcy. Questrom and Federated are in dispute over Federated's equity value as of January 28, 1995. Therefore, the court is being asked to estimate Federated's equity value as of January 28, 1995 and then determine the amount of compensation that Federated owes Questrom.

The presiding judge (Gilbert Snider) wants you to analyze selected information from Federated's financial statement. As part of your analysis, the judge has asked you to explain the role that certain components of the financial statements have with respect to firm valuation. You are asked to estimate Federated's total equity value as of January 28, 1995 (the end of five-year period under consideration) using the "free cash flow" and the "residual income" valuation models. The "residual income" model, which combine historical financial accounting and earnings forecasts to value companies, has generated considerable excitement in financial accounting academic circles and among accounting and consulting practitioners. Variants of the residual income valuation model, such as Stern and Stewart's EVA (Economic Value-Added) and McKinsey's Economic Profit Model, have been widely discussed by academics and utilized by consultants to value businesses in a variety of setting and purposes.

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Using the Residual-Income Stock Price Valuation Model to Teach and Learn Ratio Analysis

Robert F. Halsey

Vol.16, No.2, May 2001, pp.257-272

Abstract: This article provides an overview of the residual-income stock price valuation model and demonstrates its use in interpreting the DuPont return on equity (ROE) decomposition. The model provides theoretical support for the DuPont model's focus on ROE and aids in understanding the implications of the price-to-book and price-earnings ratios. I conclude with an application of the model in the valuation of Nordstrom, Inc

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Pecos Products: A Project Introducing Complexity into the Study of Activity-Based Costing

David E. Platt and Kristy L. Towry

Vol.16, No.1, February 2001, pp.99-124

Abstract: This case is designed to help students gain a more thorough understanding of activity-based costing (ABC) than is usually obtained in introductory managerial accounting courses. If you have taken such a course, you have probably seen in general, simple examples of activity-based costing. However, ABC can be more complex than these examples indicate for three reasons: (1) the mechanics of ABC are far more complex than these simple examples indicate; (2) many of the design choices required in an ABC system, which are critical to the cost-benefit decision, are omitted from the simple examples; and (3) without adequate detail, it is hard to see how economic consequences arise from the choice of costing systems.

The Pecos Products ABC Design Project (the "project") addresses these issues by providing a hypothetical company with a detailed business scenario and asking you to help with the cost-system-design decision. To accomplish this, you will have to think about traditional cost system and ABC design issues, delve deeply into the cost system mechanics, and evaluate the benefits (economic consequences) of an ABC system in light of the cost and effort required to create it.

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Wilson Electronics (A) and (B): An ABC Capstone Experience

Peter C. Brewer, Robert J. Campbell, and Richard H. McClure

Vol.15, No.3, August 2000, pp.413-458

Abstract: This case is designed to provide students with an activity-based costing (ABC) capstone experience that addresses the following topics: (1) applying resource usage and resource spending concepts to support "what-if" decision making; (2) using ABC product cost information to support strategic product mix decision making; (3) using ABC process cost information to support process improvement decision making; and (4) using ABC information in conjunction with the theory of constraints (TOC) to support revenue growth-oriented modes of analysis when making decisions. The case is partitioned into (A) and (B) versions to enable greater flexibility from a teaching perspective. More specifically, the (A) case focused on the resource usage vs. resource spending portion of the analysis. The (B) case expands the analysis to address the full range of topics mentioned above.

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Component Technologies, Inc.: Adding FlexConnex Capacity

Julie H. Hertenstein
Vol.15, No.2, May 2000, pp.257-282

Abstract: Component Technologies, Inc. (CTI) manufactures components used in electronic devices. CTI is considering adding manufacturing capacity for FlexConnex to meet increased future demand. CTI's manufacturing planning staff identifies three options to meet this demand. The staff performs preliminary financial analyses to evaluate whether to conduct detailed planning for and evaluation of each of the three options. During their analysis, they consider which discount rate is more appropriate: the 20 percent rate, which the corporate finance manual states is the hurdle rate for capital investments, or 10 percent, which the staff believes is closer to the corporate cost of capital. They experiment with both discount rates, and two time horizons. This case required you to calculate net present values (NPVs) and to analyze the effect of different discount rates and time horizons. It also asks you to consider the effect of other financial and nonfinancial issues on your analysis.

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Budgeting and Performance Evaluation at the Berkshire Toy Company

Dean Crawford and Eleanor G. Henry
Vol.15, No.2, May 2000, pp.283-312

Abstract: This case provides an opportunity to study budgets, budget variances, and performance evaluation at several levels. As a purely mechanical problem, the case asks for calculations of various price, efficiency, spending, and volume variances from a set of budgets and actual results. The case is also an interpretive exercise. After the variances have been computed, the next step is to develop plausible conjectures about their likely causes. Finally, it is a case about performance evaluation and responsibility accounting. The company has an incentive plan, based in the budget variances, that needs to be analyzed and critiqued.

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Project Earnings Manipulation: An Ethics Case Based on Agency Theory

Jeffrey R. Cohen, Laurie W. Pant, and David J. Sharp
Vol.15, No.1, February 2000, pp.89-104

Abstract: The impact of accounting information on ethical behavior has been extensively documented. Additionally, agency theory is a widely accepted behavioral perspective. Despite this, there is an absence of instructional material in the accounting education literature that ties ethical issues to an agency-theory context. The primary objective of this case is to highlight control system ethical issues using an agency-theory context. Students explore their own reactions to a prohibited but unmonitored cost allocation action. Thus, this case is positioned to fill this void in any accounting course that covers agency theory or management control systems.

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Implementation of a Serial-Case Pedagogy in the Introductory Managerial Accounting Course

Steven J. Adams, Richard B. Lea, and E. Harston
Vol.14, No.4, November 1999, pp.641-656

Abstract: The accounting profession and the business community have called for academics to place more emphasis on presenting accounting to students in an economic-decision context. In response to that call, California State University, Chico (CSU, Chico) applied for and received in 1992 a Fund for the Improvement of Post-Secondary Education (FIPSE) grant to reengineer its introductory accounting curriculum. This paper describes a serial case, created as part of the grant, that introduces a user,

decision-making approach into the second semester course that emphasizes managerial accounting. Specifically, the paper defines what is meant by a serial case, then provides an overview of the case, the California Car Company (CCC), a hypothetical manufacturer of electric-powered vehicles. The paper then depicts the types of decisions addressed and accounting information employed by CCC. Issues related to the implementation of the serial case are also discussed. The paper concludes with a discussion of assessment data that document student reactions to the case. Experience with the serial case suggests that it may be a powerful tool for introducing students to business-decision problems and related accounting information.

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Instructional Case: WorkSource Enterprises: How the Board of Directors Monitors Performance

William K. Carter

Vol.14, No.3, August 1999, pp.423-450

Abstract: This brief case provides an opportunity to design a Balanced Scorecard (BSC) or similar report for top management of a not-for-profit, service organization. The case contains sufficient data to permit calculation of some of the likely BSC measures. It can be used in any undergraduate or graduate course, provided students previously have studied BSC or its equivalent. The entity in the case is a multi-divisional, charitable organization that provides job training for disabled persons. The entity's divisions include business enterprises that employ the disabled and nonrevenue-generating functions such as administration and placement.

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ITT Automotive North America: A Case Study Requiring Use of Benchmarking, Activity/Process Analysis, and Reengineering Concepts

Richard J. Palmer and Leland D. Green

Vol.14, No.3, August 1999, pp.465-496

Abstract: Managerial and cost accounting textbook discussions of the "process view" of activity-based costing (ABC) often fail to communicate how companies use activity-based accounting, benchmarking, continuous improvement and reengineering techniques to improve their business processes. Such knowledge is valuable to students who will enter globally competitive markets. ITT Automotive North America is a business case that gives the reader the benchmark figures, cost and other process-performance data, and activity descriptions necessary to complete a project to improve a company's process to acquire and pay for small-dollar goods and services. Because of the cross-functional nature of the issues involved in process improvement, the case would also fit well in either an auditing or information system course.

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Interior Systems, Inc.: The Decision to Adopt EVA

Robert M. Bowen and James S. Wallace

Vol.14, No.3, August 1999, pp.517-542

Abstract: The purpose of the Interior Systems case is to introduce and critique the use of residential income measures for decision making, performance evaluation, and incentive compensation. In this case we focus on Stern Stewart's proprietary measure of residential income, Economic Value Added (EVA). The case uses the setting of a multidivisional company that is struggling with the decision of what measure to use in performance evaluation. The company recognizes that the choice of performance measures is likely to affect managers' motivations and in turn decision making. The problem the

company faces is which measure to use, especially in light of the differing key success drivers of the different divisions. The case has been used successfully at the undergraduate level, in MBA programs, and in executive education programs.

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The Merchandising Ratio: A Comprehensive Measure of Working Capital Strategy

Jane M. Cote and Claire Kamm Latham
Vol.14, No.2, May 1999, pp.255-268

Abstract: This teaching note has two objectives. First, it explores the limitations of the traditional measured of working capital management presented in the financial ratio analysis component of a typical accounting curriculum. Second, it presents an additional or alternative measure based on early work in the finance literature. Three current asset and liability accounts are combined into a single "Merchandising Ratio", which provides a measure of the net effect of a firm's working capital management strategy. Data from a sample of retailing companies demonstrate how the merchandising ration can be used to enhance students' analytical skills.

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Instructional Case: Evergreen Forests Limited

Henk Berkman and Michael E. Bradbury
Vol.13, No.4, November 1998, pp.869-882

Abstract: This case concerns the valuation of a newly listed forestry company and is suitable for MBA or an advance financial statement analysis class. The long-term and pure forestry nature of the company also provides an ideal background for students to consider several issues in accounting, financial statement analysis and finance. The case requires students to forecast cash flows, income statements and balance sheets. While this is a relatively mechanical assignment, the long-term nature of forestry is ideal for spreadsheet use and to provide students with the opportunity to model the articulation between financial statements. It also raises issues concerning the use of nominal or real cash flows and how to measure the terminal value. The cash flows are then used as a basis for a valuation. The valuation involves determining the cost of capital, conducting sensitivity analysis on value-drivers and providing a discussion of operating flexibility and real options. The case study was adapted from publicly available documents.

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Michael Eisner's Compensation Agreement with Disney

Dean Crawford, Diana R. Franz and G. Robert Smith, Jr.
Vol.13, No.4, November 1998, pp.957-974

Abstract: This case uses the recent compensation agreement between Michael Eisner and The Walt Disney to introduce students to the estimation of the fair value of employee stock options as required by Statement of Financial Accounting Standards No.123 (FASB 1995). Students also observe the use of an accounting-based performance bonus in the context of an actual employment contract. Eisner's compensation agreement is particularly well suited for analysis by students because Disney is a widely recognized company and the compensation agreement received considerable publicity when Disney's stockholders voted it at their annual meeting in February 1997. In addition, students will be interested in, and perhaps motivated by, the magnitude of the compensation package granted to Eisner.

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Instructional Case: General Medical Center - Evaluation of Diagnostic Imaging Equipment

Alison Hubbard Ashton, Robert H. Ashton and Laureen A. Maines
Vol.13, No.4, November 1998, pp. 985-1004

Abstract: The challenge of applying standard capital budgeting techniques to the evaluation of investments in new technology, such as computer-integrated manufacturing and biotechnology, has received increasing attention in recent years. Because the complete set of benefits from such investments is difficult to quantify in financial terms, capital budgeting techniques that rely on net present value as the performance metric tend to favor investments that are less risky, shorter-term and whose consequences are more readily quantifiable. While this is recognized in contemporary management accounting textbooks, there is a dearth of cases drawn from actual capital budgeting settings that pose such issues in ways that can be addressed effectively in the classroom.

We present such a case here. It describes a capital investment decision that includes not only the usually considerations encountered in new-technology settings, but also entails risks involving human health and life expectancy. Specifically, the case describes an actual decision faced by a large community hospital involving a choice between two alternative types of cardiac imaging equipment. The two types of equipment differ both in terms of their acquisition and maintenance costs and the accuracy with which they classify patients as needing a follow-up cardiac catheterization. Diagnostic accuracy affects the expected future costs of patient care. Thus, the choice between the two technologies involves a trade-off of costs and the quality of health care provided to the hospital's patient population.

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Metalworks Company

Priscilla S. Wisner and Harold P. Roth
Vol.13, No.4, November 1998, pp.1043-1058

Abstract: The purpose of this case is to help students learn and apply two tools that are useful in cost management: activity-based costing and process mapping. The case may be used after students have had an introduction to activity-based costing (ABC) and process mapping concepts. The case materials consist of a description of Metalworks Company's operating processes and a set of financial data.

There are two components to the case. The first is a discussion of weaknesses in the present cost system and potential ABC applications in the company. This discussion component is designed to help students identify potential ABC applications without having to "crunch numbers." The second component is the construction of a process map that reflects the operational processes. The process-mapping exercise helps the students to identify sequences of activities in the company to better understand how activities relate to costs.

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Compass State University Foundation: Managerial Accounting Issues in a Nonprofit Entity

Susan P. Ravenscroft and Susan C. Kattelus
Vol.13, No.3, August 1998, pp.629-654

Abstract: A nonprofit, nongovernmental entity is created to support a public university in its fund-raising efforts and endowment management. Some controversy exists as to whether the benefits of establishing a new legal entity exceed the costs, how stakeholders can get the information they need to assess the foundation, whether alternative strategies could have accomplished the same goals at less cost, and whether it was wise to transfer the university's entire endowment fund to the foundation.

This case addresses issues of accountability, cost/benefit analysis, and performance evaluation. Students are challenged to apply tools learned from examination of for-profit entities to an institutionally

related foundation. This case is most appropriate for an undergraduate advanced or graduate managerial accounting course. Other suitable courses include governmental and nonprofit accounting and a integrative capstone accounting course.

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Another Look at Cost Variance Investigation

Pradyot K. Sen

Vol.13, No.1, February 1998, pp.127-137

Abstract: The cost variance investigation analysis as presented in textbooks, is a useful but simplified way of understanding the costs and benefits of investigation. However, the usual analysis, developed first by Bierman et al. (1961) compresses two actions, i.e., investigation of the system and fixing the system into a single action. For a class of problems, however, it may be possible to separate the two actions. Separation of two actions means that the process can be fixed as a routine without any regard to variances. The analysis of this paper shows that by considering these two actions separately and independently, a different and more appropriate decision rule can be derived. As discussed in the paper, such a strategy could be rational if the objective is to minimize overall quality costs. If such a strategy of "fixing the process without variance investigation" is admitted, the analysis shows that applying the usual textbook decision rule could lead to suboptimal decisions. Specifically, the textbook decision rule of variance investigation remains neither necessary nor sufficient for launching an investigation in the revised circumstances. Under the expanded choice set, the problems of variance investigation become isomorphic to the decision of obtaining additional information and can be solved by comparing the cost of investigation with the value of information generated through the investigation.

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Instructional Case: Oak City's Cost Allocation and Determination

Robert W. Ingram, W. Cameron Parsons and Walter A. Robbins

Vol.13, No.1, February 1998, pp.157-171

Abstract: Oak City is an interdisciplinary case that involves cost allocation and determination issues in a governmental setting. Ethical considerations related to the role of accountants as expert witnesses also are included in the case. The primary issue in this case (drawn from actual events) is the amount of cost associated with police and fire services that should be charged to businesses in an area adjacent to the city limits, referred to as its police jurisdiction. State law requires the city to provide these services and permits it to charge the incremental cost of providing these services to business in the jurisdiction. The definition and determination of incremental cost is highly subjective. City officials have been allocating a portion of total costs to the jurisdiction. A business owner sues the city, arguing that only variable costs are relevant.

Students take the role of expert witnesses who are required to analyze available information and to develop a position supporting either the plaintiff or the city. They are required to deal with an unstructured problem for which various positions can be argued. They must identify relevant information and organize this information effectively. The case also serves to alert students to the importance of professional judgment in accounting decisions for which little authoritative guidance is available.

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Quality Dairy Case

Steven J. Adams

Vol.12, No.2, Fall 1997, pp.385-398

Abstract: This case examines an actual dairy's pricing decision for a sizeable order from a major customer. The purpose is to encourage students to consider the complexities of pricing decisions and the role of managerial accounting information in these decisions. Specific managerial accounting concepts addressed include product costing, selection of an appropriate allocation base, accounting for opportunity costs, relevant or incremental analysis strategic cost management, and activity-based costing. The case highlights the importance of designing an appropriate costing system to support strategic pricing and product mix decisions by demonstrating how poor cost information can encourage decisions that run contrary to a firm's strategy.

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Ace Company (B): The Option Value of Waiting and Capital Budgeting

Ramji Balakrishnan and Utpal Bhattacharya
Vol.12, No.2, Fall 1997, pp.399-412

Abstract: The "Ace Company" case (Chow et al. 1995) introduces strategic dimensions in capital budgeting by examining the effect of competitive action on the choice between the accelerated and phased development of a new product. Accelerated development has higher developmental costs and cannibalizes current product sales but is assured to freeze out competition. Phased development has lower development costs spread over two years and reduces cannibalization, but could result in a shared market. Accelerated development is preferred because it has the higher expected net present value. ACE Company (B) introduces a third choice: the firm can wait a year before committing to the new product. Accelerated development dominates this choice if the firm obtains no new information. If, however, the firm obtains market demand information at the end of the first year, the new choice is preferred because of the implicit "option value" to waiting.

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Starup, Inc: Linking Financial Accounting, Managerial Accounting and Strategic Management

Jack M. Ruhl and Jerry G. Kreuze
Vol.12, No.2, Fall 1997, pp.435-456

Abstract: This case introduces students to Porter's (1980) three basic types of competitive advantage - cost leadership, differentiation and focus - and integrates these concepts with concepts taken from management and financial accounting. At the center of the case is CPA Terry Merton, who first identifies a target segment, and then selects and implements one of these strategies for her business. The competitive strategy selected has implications for cost calculations (including opportunity costs) and financial reporting.

In addition to introducing students to Porter's (1980) notions of competitive advantage, the case supports the achievement of three other specific educational goals. First, students acquire a basic knowledge of the economic consequences of accounting choice. Second, students achieve a greater appreciation of the ambiguities surrounding the calculation of product cost. Third, students will come to understand how conflicts can sometimes arise between income measurement concepts and liability measurement concepts.

This case can be used in a senior-level accounting theory course. It requires students to move beyond a rule-based approach to solving accounting problems. Specifically, the case illustrates the fact that decisions about the amount of a liability are sometimes not clear cut. Lacking clear-cut guidelines for making such judgments, reasonable decision makers can arrive at widely different estimates if the amount of the liability. Students must integrate concepts from financial accounting, management accounting and strategic management. In doing this, they become a total business advisor to Terry.

The Starup, Inc, case also illustrates the interrelationship between strategic management and external

financial reporting. When managers select a strategic plan, they must take into account the financial reporting implications of the strategic plan. The Starup, Inc. case illustrates a situation in which the selection of a strategic plan will impact current financial results, which, in turn, may affect Starup's relationship with a lending institution.

Students can assume the roles of different decision makers in completing the case which leads to more student interest and discussion. For instance, students can assume the role of Terry Merton, the owner of Starup, inc., as she selects a strategy, or they can assume the role of Bill Andersen, the loan officer at the local bank which had granted Terry a business loan.

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Instructional Case: Main Line vs. Basinger: A Case in Relevant Costs and Incremental Analysis

Thomas L. Barton, William G. Shenkir and Brian C. Marinas
Vol.11, No. 1, Spring 1996, pp. 163-174

Abstract:

Important management accounting techniques, such as contribution analysis and relevant costing, are integral to the widely publicized case of Main Line Pictures vs. Basinger. Main Line sued actress Kim Basinger in 1991, alleging that she caused the company to lose profits of \$5 to \$10 million by withdrawing from a controversial film project in breach of contract. Main Lin argues that if it would have earned a pretax profit on the film in the range of \$3 million to \$8 million if Basinger had remained. The profit figures were calculated from pre-sale contract amounts and the film's budgeted cost. Main Line also argued that it expected to lose \$2 million on the film as it was eventually made primarily because Basinger's replacement was of much lower box office appeal.

Basinger argued that only a handful of very successful films could generate profits to Main Line in the dollar amounts cited because of the many contractual claims against those profits by others. In addition, her presence in the film was no guarantee that the film would be successful.

At issue here are the reliability and reasonableness of the numbers used in Main Line's lost profit computation. The case relied heavily on the identification of relevant costs and the performance of sensitivity analysis as the reader is asked to consider alternative cost and revenue assumptions to ascertain the impact on the lost profit amount. Finally, the reader is asked to prepare his or her own alternative lost profit calculation.

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ACE Company: A Case for Incorporating Competitive Considerations into the Teaching of Capital Budgeting

Chee W. Chow, Yuhchang Hwang and Dennis F. Togo
Vol.10, No.2, Fall 1995, pp. 389-402

Abstract: Accounting education increasingly focused on developing students' ability to structure and analyze complex problems and to adopt a managerial/strategic approach to issues. To support this change, course materials must be developed which emphasize the new focus.

This hypothetical case uses the development of a new product to introduce a strategic dimension to the teaching of capital budgeting. Students are led to consider factors which include the cannibalization of an existing profitable product and the deterrence of competitors' entry into the market. The case analysis begins with a simple net present value analysis of the decision without considering the potential impacts on competitors' actions. Then it progresses to increasing layers of complexity which introduce the strategic aspects of the decision. This process solidifies students' mastery of capital budgeting methods. It also helps them to appreciate that effective management requires going beyond the learning of

techniques to consider the larger, competitive context.

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Instructional Case: Vincent's Cappuccino Express - A Teaching Case to Help Students Master Basic Cost Terms and Concepts Through Interactive Learning

Chee W. Chow

Vol.10, No.1, Spring 1995, pp. 173-180

Abstract: Accounting education is steadily shifting away from the learning of rules and procedures. Increasing emphasis is being placed on developing students' ability to structure and solve complex problems, to view problems in their organizational and social context, and to communicate their analysis.

A major aspect of this educational change relates to the students' role in the learning process. Instead of being passive recipients of facts, they are expected to actively engage in give and take with the instructor and other students and to integrate new knowledge with old. The objective of this teaching case is to assist instructors of management accounting to promote such interactive and integrative learning and to increase students' mastery of basic cost terms and concepts. Basic cost terms and concepts typically are covered early in introductory management accounting courses; hence, this case also can help to build a foundation for active student participation in the students' educational programs.

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International Subsidiary Performance Evaluation: The Case of the Ameripill company

Susan F. Haka, Barbara A. Lamberton and Harold M. Sollenberger

Vol.9, No.1, Spring 1994, pp. 168-190

Abstract: The purpose of this case is to illustrate numerous issues involved in evaluating international subsidiary performance using accounting information. In particular, the case demonstrated how performance evaluation impacts decision making at the subsidiary level. Case facts are based in an extensive set of interviews both at the parent and international subsidiary levels. The importance of considering global implications when designing and using accounting-based international subsidiary performance evaluation systems is highlighted. The case can also be used to integrate tax and regulatory issues into the performance evaluation setting and to make links between organizational design and performance evaluation.

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Valuing American Pharmaceuticals, Inc.

Phillip Ricci, Leon J. Hanouille and Gregg A. Jarrell

Vol.8, No.1, Spring 1993, pp.139-168

Abstract: This case is adapted from the actual purchase of a major American pharmaceutical firm. As such, it is designed for use in the finance/accounting area, and has been used for both corporate finance and advanced financial accounting courses. It has three broad objectives: to provide students experience in solving unstructured problems; to give students exercise in determining the fair value of a business; and to provide students experience in the art of negotiation. In addition, the case reflects some very specific objectives: to provide students with an opportunity to develop analytic problem solving skills; to provide an opportunity for students to hone their oral and written communication skills; to enable students to use their interpersonal skills through working in teams and negotiating; and to encourage strategic thinking and planning by requiring students to formulate a negotiation strategy.

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Instructional Cases: The Proper Use of Feedback Information

Robert Capettini, Chee W. Chow and James E. Williamson
Vo7., No.1, Spring 1992, pp.37-56

Abstract:

The purpose of these two cases is to show students that the use of outcome information for feedback purposes may be subject to potential biases. "Post Audits of Capital Budgeting Projects at The Bernardo Company" specifically illustrates how biased feedback can occur in planning/decision-making situations. Students are asked to take the role of a manager charged with evaluating a subordinate's capital budgeting project proposals which were selected using a formal decision model. In this managerial role the students find that although the subordinate's budget estimates were unbiased on average, post audits of the implemented projects indicated the existence of a positive bias. The case guides students to see that this incorrect conclusion occurs because only the outcomes of the selected alternatives can be observed (rather than the outcomes of all of the alternatives which has been considered). The case also alerts students to the limitations of some seemingly reasonable means of combating apparent biases in budget estimates and illustrates a commonly adopted solution to the problem.

"Investigating Standard Cost Variances in The Mesa Corporation" deals with biased feedback in performance evaluation. Students are asked to take the role of a manager charged with determining which standard cost variances should be investigated and whether the existing standard needs to be revised. The case shows that selecting the larger variances for investigation is quite effective in detecting out-of-control situations. However, because only the more extreme variances are investigated, the variance investigation findings are inadequate for a decision on the need to revise the performance standard. This case also shows that biased feedback occurs due to the method of selecting observations from a pool of outcomes rather than from the lack of availability of necessary observations. The case emphasizes how important clear logic is in decision-making.

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Learning Curves and Appropriate Regression Methodologies

Joyce T. Chen, Rene P. Manes and W. William Richardson
Vol.6, No.2, Fall 1991, pp.284-299

Abstract: We focus on estimation for two learning curve models of the form $Y=aX^b$ and $I^*=cXd$. In the first, or average model, Y is the average cost per unit for the first X units. In the second, or unit model, I^* is the incremental cost for the X th unit. The paper addresses the estimation of the parameters a and b , or c and d , when the available data are not suitable for directly fitting the equation Y or I^* . It derives the equations of the midpoint methodology of the unit model and proposes a separate midpoint formula for the average model. We conclude with a summary table of data types and corresponding regression equations, and an extensive illustration of the different techniques for pedagogic purposes. These analyses clarify the regression differences between the two learning models, which have often been confused in the literature.

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A Standard Costing Knowledge Base: Building and Using an Expert System in Management Accounting Education

Malcolm King and Laurie McAulay
Vol.6, No.1, Spring 1991, pp. 97-111

Abstract: This paper describes the use of an expert system to support the teaching of standard costing

to groups of professional accounting students in the United Kingdom. The purpose of the paper is to explain the approaches adopted, the insights gained, and the problems experienced in order to encourage other accounting teachers to consider the use of expert systems in their own teaching. A question-answering system was built and used in two different ways to support three teaching programs. Our experience suggests that there are advantages to be gained from building small systems, including the insight to the subject area afforded by coding knowledge into expert system shells, and that such small systems may escape some of the problems that presently beset large systems.

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A Framework for Teaching Management Accounting

Larry N. Bitner

Vol.6, No.1, Spring 1991, pp. 112-119

Abstract: A business environment driven by global competition is forcing many American firms to question the effectiveness of many traditional business practices. In light of the changes taking place in our global marketplace, management accountants are increasingly facing information demands they are not well equipped to supply. Accounting information is often untimely, incomplete, irrelevant, or not in the form needed to assist decision makers in implementing new corporate strategies or in evaluating existing ones. An even broader focus is now needed to teach management accounting. Defining the role of the management accountant and consolidating the course topics neatly into a single, integrated framework is more difficult than ever.

The purpose of this paper is to provide a schematic framework that integrates all of the traditional management accounting topics into a single information network. The schematic impresses upon the students the need to conceptualize how the different pieces of the accounting information (AIS) fit together. A discussion of how to walk students through the schematic is also provided. An important part of this walk is the discovery of the weaknesses in the traditional system. As these weaknesses are uncovered, an instructor can propose conceptual remedies. These remedies provide a vehicle for exposing students to the changes and trends with which contemporary management accountants must be familiar. Finally, a revised framework provides an incorporation of the proposed changes.

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Teaching Capital Budgeting with Variable Reinvestment Rates

Ronald V. Hartley

Vol.5, No.2, Fall 1990, pp. 268-280

Abstract: This paper discusses an approach to teaching capital budgeting models that is more general, that allows for more realistic assumptions about reinvestment rates than conventionally made, and that allows for consistent reinvestment rate assumptions across the net present value, internal rate of return, and terminal value models. Using these assumptions it is shown that all three models produce consistent ranking results among competing projects. To facilitate use of the recommended approach, "patches" are provided to incorporate the approach into two widely-used software package.

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Instructional Case: Rantoul tool, Inc.

Wayne J. Morse

Vol.5, No.1, Spring 1990, pp.78-87

Abstract: Rantoul Tool, Inc. illustrates, using diagrams of changes in plant layouts over time, how changes in the manufacturing environment impact product costing procedures. Students are

encouraged to question the appropriateness of costing systems and to propose cost systems most appropriate for the manufacturing environment. The case consists of a narrative description of a manufacturing process and a diagram of a plant layout. The case contains no costing numbers and does not require any computations. Instead, students identify basic records to plan and initiate production, and to accumulate information for product costing. They then describe cost systems appropriate for the initial plant layout and for two subsequent plant layouts.

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Profit Variance Analysis: A Strategic Focus

Vijay Govindarajan and John K. Shank
Vol.4, No.2 , Fall 1989, pp.396-410

Abstract: This paper uses a disguised case to compare and contrast three different frameworks in analyzing profit variances - two that are in common usage today and one that is not but, in our view, should be. The purpose of the paper is to demonstrate how variance analysis needs to be tied explicitly to the strategic context of the firm and its business units.

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Linear Versus Nonlinear Cost-Volume-Profit Analysis: A Pedagogical Note

Rowland K. Atiase, E. Michael Bamber, Linda Smith Bamber and John McCartney
Vol.4, No.2 , Fall 1989, pp.438-453

Abstract: The authors' teaching and consulting experience suggests that students and practicing managers have difficulty fully appreciating both the conceptual and practical limitations of cost-volume-profit (CVP) analysis, perhaps due to the emphasis on linear analysis in most textbooks. Microeconomic theory suggests that linear analysis is appropriate in some circumstances, but that non-linear analysis is more appropriate in others. Although nonlinear analysis is covered in advanced cost and management accounting textbooks and published academic papers, the approach taken is fairly mathematical for undergraduate cost and management accounting students. This may discourage instructors from introducing undergraduate students (or managers) to the limitations of linear analysis and to the feasibility of nonlinear analysis. This paper supplements textbook discussions by briefly reviewing the underlying microeconomic theory and presenting a simpler approach to nonlinear CVP analysis that does not require mathematical sophistication (but that may be integrated with a more quantitative approach, if desired). We use this simple, yet practical approach (1) to describe suboptimal outcomes that may arise from inappropriate substitution of linear for nonlinear analysis, and (2) to provide a simple method of estimating nonlinear revenue and expense curves. The authors have successfully used this approach to sensitize both students and managers to the limitations of linear CVP analysis.

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On Market Share Variance and Market Size Variance

Yoram C. Peles
Vol.4, No.2 , Fall 1989, pp.454-457

Abstract: The paper presents a version of market share variance and market size variance, expressed in dollar terms, that is consistent with the yield variance presented by Peles (1986). Also, the paper points to some defects in the conventional definition of the above market variances, which can lead to dysfunctional decisions.

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Supplementing Cost Accounting Courses in Response to the Changing Business Environment

Richard Ortman and David Buehlmann
Vol.4, No.1, Spring 1989, pp.161-178

Abstract: The automated factory, increasing world competition, computer-based accounting systems, and new management techniques have all contributed to rapid change in the field of cost and managerial accounting. Specific areas that have emerged recently are measuring quality, just-in-time inventory systems, flexible manufacturing systems, capital budgeting applied to automation, product profitability analysis, and performance measurement. Due to the time lag between the writing and distribution of textbooks, these topics are either ignored or are given cursory treatment in widely adopted cost accounting textbooks. As a result of a review of the literature and an analysis of six leading cost accounting textbooks, a list of articles, cases, and problems that pertain to these six emerging areas was compiled. The supplemental material was divided into two categories: material appropriate for an undergraduate cost accounting course and material appropriate for an advanced undergraduate or a graduate cost accounting course. The position in the course at which each supplemental topic should be introduced is also discussed.

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On the Decomposition of Direct Material Variances

Ramji Balakrishnan
Vol.4, No.1, Spring 1989, pp.193-202

Abstract: A general model for the decomposition of material variances is developed. Without constraining the production function, the model allows for the revision of the optimal mix of input materials to actual prices. In the model, a production adjustment variance captures the dollar impact of the ex post and ex ante optimal mix being different. Variances computed under this model are consistent with the operation of a standard costing system, are readily interpretable, and are consistent with accepted definitions of price, mix, and yield variances.

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Competitive Tendering and Under-Capacity: An Incident Process Case

Philip Moon
Vol.3, No.2, Fall 1988, pp.445-452

Abstract: This paper describes an incident process case study in which students are tendering for an overseas contract. Some basic data are provided at the outset, sufficient to enable a preliminary estimation of the costs involved in pursuing the tender. More data are available from the instructor, at a cost, on request. Thus, in addition to requiring a comprehensive examination of relevant costs and a "competitive" price to be set, the case also requires students to identify any extra information necessary for their analysis of the problem and to decide whether its perceived benefit outweighs its cost of acquisition. The case has been used effectively as a teaching medium for the manipulation of cost data, for discussion of competitive pricing, and for the development of information search abilities.

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Dedicated Microcomputer Software for the Enrichment of Cost and Managerial Accounting Education

James R. Martin
Vol.2, No.2, Fall 1987, pp.361-372

Abstract: This article illustrates how computer software dedicated to a specific application may be used

to enrich cost and managerial accounting education. Two examples are presented from a group of computer programs that are available to interested faculty. Two different but related computer applications are illustrated. The first example shows how the student or faculty member may generate multiperiod comparative income statements for alternative inventory valuation methods. The second example illustrates how the user may generate an overall profit analysis for alternative inventory valuation methods. The computer programs are friendly and run on the IBM PC and IBM compatibles and clones. Since the manual is self-explanatory, little if any class time is required, although the computer-generated solution has been obtained is the most important part of a computer assignment. Effective computer assignments emphasize the student's thought processes, not the computer software. With this thought in mind, the flexibility of this software makes it particularly useful as a teaching device for generating student interest and for integrating many of the important concepts of cost and managerial accounting.

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An Alternative Learning Curve Formula

Patrick B. McKenzie
Vol.2, No.2, Fall 1987, pp.383-387

Abstract: This paper outlines an alternative version to the conventional learning curve formula. This alternative formula models the standard doubling point explanation of the learning curve. An example is used to illustrate the computational advantages of the proposed alternative formulation.

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A Simple Teaching Approach for Process Costing Using Logic and Pictures

Neil A. Wilner
Vol.2, No.2, Fall 1987, pp. 388-396

Abstract: This article presents an approach to teaching costing that is different than the one found in most textbooks. The approach offered here does not emphasize preparing production reports. The emphasis is on using one equation to understand the logic behind process costing. The equation has already been extensively used in prior accounting classes. A simple picture is also presented to help organize the major calculations in a logical order corresponding to the equation. The approach offered here can be used for the basics of process costing as well as for the complexities in dealing with lost units.

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Cost Prediction and Allocation: An Incident Process Case

Ronald V. Hartley
Vol.2, No.1, Spring 1987, pp. 141-151

Abstract: An incident process case is presented which can be used to help students identify the right questions to ask in approaching and solving a problem. Basic data are provided which the instructor can supply when requested. Regression analysis will be needed to solve the case. Inflation, outliers, and the effects of technology changes must be dealt with in solving the problem. In adjusting for inflation, the case may be designed so that the student will have to identify the "best" rate of adjustment. The results must be used to predict future costs and to establish overhead application rates.

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Absorption versus Direct Costing: Income Reconciliation and Cost-Volume-Profit Analysis

Bipin Ajinkya, Rowland Atiase and Linda Smith Bamber
Vol.1, No.2, Fall 1986, pp.268-281

Abstract: Managerial accounting texts generally limit discussion of the differences between absorption costing (AC) and direct costing (DC) net income to the simplest case where the fixed manufacturing overhead cost per unit does not change from period to period and any under/over-applied overhead is written off to cost of sales. Consequently, the textbook reconciliation rule fails when these assumptions are violated. We present a general rule, of which the familiar textbook formulation is a special case. Second, textbooks generally discuss cost-volume-profit (CVP) analysis only in a DC context. We extend CVP analysis to the AC setting and show why DC-based CVP analysis used for internal planning does not translate well to AC figures typically used in external reporting. Certain peculiarities of the behavior of AC net income are traced to the role played by the level of production. Numerical examples clarify the various general formulations derived.

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Full and Direct Costing in Profit Variance Analysis

Joyce T. Chen
Vol.1, No.2, Fall 1986, pp.282-292

Abstract: This paper contrasts full and direct standard cost-determined profit variances and analytically investigates the effects of inventory costing methods on the pattern of the manufacturer's profit-variance differences. The explicit statement of variables used in each of the analyses, the algebraic expression, and practical organization of the formulae involved convey unequivocally what the key elements in the analyses are and how the computational rules that follow were automatically derived. I have found the algebraic framework proposed for the analyses to be very effective with students in integrating the various related managerial accounting topics such as direct versus full costing, inventory costing methods, static and flexible budgeting, and variance analysis for performance evaluation.

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The Impact of Outliers and Influential Points on the Cost Variance-Investigation Decision

Stephen Tomczyk and Sangit Chatterjee
Vol.1, No.2 , Fall 1986, pp.293-301

Abstract: When regression analysis is used to determine cost standards, two kinds of aberrant observations - outliers and influential points - are often encountered. This paper examines the impact of these observations on cost estimation and on the cost variance-investigation decision. We review statistical techniques for detecting and classifying such deviant points. An application of the techniques to a set of cost data shows that, using two decision models, a failure to properly account for these points may lead a manager to suboptimal variance-investigation decisions. The illustration is effective for demonstrating to students the importance of assuring that the sample cost data are appropriate for regression analysis.

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Multiple Splitoff Points

Franklin Lowenthal
Vol.1, No.2 , Fall 1986, pp.302-308

Abstract: In a complex series of joint manufacturing processes, there is often more than one splitoff

point. In this situation, the net realizable value method may not by itself be sufficient to perform all required cost allocations. An example of such a situation is presented and analyzed in detail. A sensitivity analysis is performed, and upper and lower limits for the cost allocations are determined.

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The Ambiguous High-Low Method

Hugo Nurnberg
Vol.1, No.1, Spring 1986, pp.143-147

Abstract: Under the high-low method of separating semivariable costs into fixed and variable components, the choice of high and low points is ambiguous. Most authors base high and low points on extreme activity levels rather than extreme cost levels but do not explain the reasons for their choice. Basing high and low points on extreme activity levels is shown to be preferable to basing them on extreme cost levels.

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Experiential Process Costing Project

Linda M. Lovata
Vol.1, No.1, Spring 1986, pp.148-152

Abstract: Experiential classroom projects have been purported to enhance student learning. This paper presents a project to be used in conjunction with process costing to help students understand, rather than memorize, process costing and the underlying flow of goods.

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Cost Allocations: A Classroom Role-Play in Managerial Behavior and Accounting Choices

Mark E. Haskins and Robert P. Crum
1985, pp.109-130

Abstract: Cost allocations present one of the most challenging topics instructors must teach in cost/managerial accounting courses. A primary reason for this is that students typically do not comprehend fully the behavioral implications inherent in situations which offer choices among different acceptable accounting methods. This article describes how an instructor might use a real-world-based exercise to bring to life the behavioral concerns inherent in cost allocation accounting choices. Using an actual company's joint cost data and classroom role-playing, students discover for themselves that their choice of an allocation method nominally is contingent upon the company role they are asked to assume. For many of them, these choices are in sharp contrast to the normative choice they made prior to being assigned a specific company role and seeing the allocated dollar amounts. Brief discussions of cost allocations and role-playing are presented, suitable to introduce students and faculty, respectively, to the primary issues involved in both. In addition, the exercise materials are presented along with a recapitulation of our experience in using them in a fourth-year undergraduate cost accounting class.

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Dream Chocolate Company: Choosing a Costing System

Kip R. Krumwiede and Darrell W. Walden
Vol. 28 Issue 3 (2013), pp. 637-652

Abstract: This case is about a small, but real, company, Dream Chocolate (D.C.), which makes custom-labeled, high-quality candy bars for special events and advertising purposes. Like many small companies, D.C. has an inadequate costing system and needs a much better one as it starts to get bigger orders. In Part A of this case, students learn how to analyze a company's situation, identify relevant information in a case that is presented in a less-structured format, evaluate the pros and cons of different costing approaches, recommend an approach, and suggest ways to implement it. In Part B, they develop and calculate costs based on their recommended approach. The case also helps increase students' understanding of the applicability of various costing methods typically covered in cost and managerial accounting courses.

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Active Learning Activities to Revitalize Managerial Accounting Principles

Michele Matherly and Laurie L. Burney
Vol. 28 Issue 3 (2013), pp. 653-680

Abstract: Students often enroll in the managerial principles class because of a degree requirement rather than a burning passion to learn the subject matter. Through active learning, new content can become more interesting by involving students in their own learning. This paper offers accounting faculty four active learning activities to engage students and enhance their understanding of difficult concepts: managerial accounting terminology, activity-based costing, variance analysis, and special order decision-making. During these in-class activities, students work through relevant computations and delve into additional considerations using guided class discussions. A survey of students' attitudes reveals that students perceive that these active learning activities had a positive impact on their content knowledge related to the managerial principles course, as well as their attitude toward and interest in the class. In addition, students felt that the activities were worthwhile and demonstrated the concern their instructor had for quality teaching. The accompanying Teaching Notes contain detailed, step-by-step guidance for implementing the four activities, along with sample solutions.

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Arborista, Inc.: An Instructional Resource Case

Marc P. Picconi, Kimberly J. Smith and Alexander Woods
Vol. 28 Issue 3 (2013), pp. 681-690

Abstract: This deceptively simple case is intended for use as early as the first day of an M.B.A. core accounting course or as a focused review for an undergraduate accounting course. It achieves three primary objectives: accelerating student learning about the statement of cash flows, emphasizing the importance of both the cash flow statement and the income statement in valuation and capital markets, and introducing the three primary financial statements as an integrated system. The case also features the use of the direct method of presenting operating cash flows, both as a pedagogical tool and to allow interested instructors to increase their focus on that method. We have found that students benefit from the early integration of the cash flow statement, as well as the ability to clearly understand how operating cash flows are similar to--and different from--net income. Finally, the case provides an optional managerial accounting module for instructors who teach a course that integrates financial and managerial accounting.

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Using a Business Simulation to Enhance Accounting Education

Richard A. Riley Jr., Ernest R. Cadotte, Leff Bonney and ChristelleMacGuire
Vol. 28 Issue 4 (2013), pp. 801-822

Abstract: This paper presents a learning strategy that demonstrates how integrated business simulations can be used to enhance accounting education. The Pathways Commission report takes a broad view of the accountant's role in society and argues that accountants serve in a variety of capacities, including advising businesses, assisting management in understanding and monitoring operations, and facilitating the efficient and effective deployment of resources, among others. With experience, accountants have a competitive advantage over many business professionals because they embrace numbers and develop solutions to difficult problems for the benefit of their clients and the businesses they serve. Business simulations help accounting students refine that competence by leveraging their affinity for financial and non-financial numbers as well as their willingness to analyze problems in a structured fashion. Simulations also challenge students to work in unstructured situations, developing their tolerance for and appreciation of ambiguity. The learning strategy further demonstrates how the activities described can be used for course-embedded assessment. Student performance is documented by the business simulation and instructor via objective measures as well as rubrics, examples of which are included herein. The compiled data provide within-course and programmatic feedback that can be used to improve teaching and learning outcomes.

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Discussing Variance Analysis with the Performance of a Basketball Team

William R. Strawser and Jeffrey W. Strawser
Vol. 29 Issue 3 (2014), pp. 481-495

Abstract: While current cost and managerial accounting texts devote extensive coverage to comparisons of actual and expected costs, relatively scant attention is devoted to analyzing comparable differences in revenues. Methods commonly used to identify differences between actual and expected revenues include the calculation of variances such as the sales price (SPV), sales quantity (SQV), and the sales mix (SMV) variances. We decided to approach the discussion of these variances in an innovative setting by presenting the SQV and SMV in the context of analyzing the performance of a basketball team, providing a setting that is both appropriate and interesting for illustrating revenue variances. Also, there are trade-offs in the choice between two of these "revenue" sources, for example, should the shooter attempt a two- or a three-point shot? Other relevant questions propel the decomposition of the SQV into the market size (MSV) and market share (MShV) variances. Was the game an offensive showdown, tallying numerous shots, or a defensive lock-down with relatively few shots? How effective was the team in controlling the ball and scoring a dominant proportion of shots? Feedback from students indicates that this illustration provides an interesting and comprehensive discussion of revenue variances. Using this and similar settings, a better understanding of quantity and mix variances, and the impact of these variances on improving performance, may be obtained.

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