Accounting Perspectives

The Journal of Accounting Case Research
*Note: The JACR merged into Accounting Perspectives in 2007 (last issue was Vol. 9, No. 2)

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La Chevrotière, Coopérative agro-alimentaire.


Kevin Gaffney

Valeri Gladkikh

R. Alan Webb

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Sylvia H. Hsu and Johnny Jlungyee Lee

Abstract: This study examines the association between when an airline sells its passenger seats and the pricing method (marginal cost or full cost) it employs. Prior literature suggests that when firms are able to change prices during the selling period, the optimality of full cost pricing or marginal cost pricing depends on when demand information is revealed during the period between capacity commitment decisions and time of sale. Full cost-based pricing is appropriate in determining capacity commitment and prices simultaneously, while marginal cost provides more relevant information for pricing when capacity has been committed. Using the price and cost data from a sample of four U.S. domestic airlines, we find that full cost explains price variations of first-day sales robustly. The adjusted $R^2$ of the marginal cost pricing model is larger in the sample of sales two days prior to departure than in the sample of first-day sales. In the analysis of the sample of sales two days prior to departure, we find that, based on the adjusted $R^2$ of the full cost pricing and marginal cost pricing models, the explanatory power of marginal cost pricing is relatively weaker than full cost pricing. Our results document the use of different cost information along the dynamic change of price and provide implications in understanding the role of cost information in setting prices.

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Floriculture du Suroît inc.

Louise Martel and Diane Paul
Vol. 11, Issue 3 (2012), pp. 211-224

Abstract: Floriculture du Suroît inc. is a SME in the horticulture field. It cultivates and sells geraniums,
but a new subsidiary, Les Roses de Caroline, recently start the culture of roses. Floriculture has just obtained a governmental subsidy and, for the first time, the company will have to produce audited financial statements prepared in accordance with GAAP. Thus, the two owners will have to choose between two accounting frameworks, that is, International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Private Enterprises (ASPE). Many differences exist between these two frameworks. More specifically, IFRS provide specific standards related to agricultural activity and investment properties, while ASPE do not. In addition, ASPE permit many choices between accounting treatments, which should be carefully analyzed. The owners are neophytes in accounting matter. Thus, they need help for accounting issues.

Industry Identification through Ratio Analysis.
Merridee Bujaki and Sylvain Durocher

Abstract: This case is designed to help students "see through the numbers". Written initially for MBA students and senior analysts attending executive education sessions, it provides participants with (1) a common-size balance sheet and selected financial ratios for ten anonymous Canadian public companies, and (2) a list of ten diverse industry sectors. Participants are invited to reflect on the meanings of the different ratios provided in order to match the anonymous companies with their corresponding industry sector. Seeing through the numbers fosters the development of participants' analytical skills, and group discussions contribute to the sharing of participants' knowledge about the various industry segments involved.

Condominium Townhouse Investment.
Gulraze Wakil and Karin Petruska

Abstract: This accounting case involves the evaluation of various alternatives based on a real-life personal property investment. The Condominium Townhouse Investment (CTI) case uses introductory management accounting concepts and analyses to introduce students to the case method of learning. The main concepts reinforced are relevant costs and revenues, including differentiating between opportunity and sunk costs. Students are not only asked to define and identify these items, but to consider choices centered on the decision alternatives in their role as accountants in public practice. This case is especially valuable because it offers students the chance to become engaged in an analysis and decision-making situation that they can relate to both personally and professionally because, one day, they themselves are likely to become involved in a home ownership decision. The case focuses on real estate as a personal business investment, and requires both qualitative and quantitative analysis, with more emphasis on the qualitative aspect. In addition, the teaching notes include methods and strategies for students to use in an introductory managerial accounting class or level-1 MBA class.

Viasystems Group, inc.
Eduardo Schiehll and Real Jacques
Vol. 12, Issue 2 (2013), pp. 189-204

Abstract: Viasystems Group, Inc. (Viasystems) is an international supplier of electromechanical
assemblies and components. It specializes in manufacturing printed circuits and assembling electric
cables and industrial metal cabinets. The case concerns the Printed Circuit Division at Viasystems and
its need to adapt its costing system to the relocation of its manufacturing activities to China under its
strategic planning, begun in 2001. Planning and controlling operating costs and the presentation of the
financial statements have therefore become major issues. The case is set in 2006, six years after the
start of progressive offshoring of manufacturing to China. It describes: 1) how external environmental
pressures and the need for profitability have led to a critical strategic decision; and 2) how this new
business model has changed upper management’s informational needs, leading them to rethink their
costing system, particularly at the Chinese plants. Setting the case in 2006, when all the plants have
been relocated to China, enables discussions of the challenges that management will have to cope with
in the future, after the operations transfer has been completed and the consequences on the
management control system.

Dr. PC: A Multimedia Management Control Case.

Norman T. Sheehan and Ganesh Vaidyanathan

Abstract: Dr. PC is a 50–80-minute, in-class management control case. The case asks students to
develop a management control system for a small computer repair business. Informed initially by
personal experiences, and then from viewing a consumer affairs video that depicts an employee
repeatedly violating his firm’s code of conduct, students work together to outline key management
controls. After viewing the video and discussing key management controls, students are then exposed to
Simons’s levers of control framework and asked to develop a comprehensive management control
system for the small business. The case was developed over three years with the help of 344
undergraduate, master’s, and executive students. Student feedback from earlier versions of the case
indicates they found the case stimulating and effective at reaching its learning objectives of
understanding the purpose of and how to design a management control system for a small business.

Mountain City Transit: Management Control and Performance Measurement.

Mark Klassen and Suresh Kalagnanam

Abstract: Mountain City Transit (MCT) is a short in-class case based on a real-life city transit
department, a context with which students are very familiar. The case allows three delivery options for
instructors. A first option is for instructors to use the case to introduce various elements of management
control—the case is rich, thereby allowing students to identify multiple issues facing the organization. As a
second option, instructors can use it as a performance management case wherein students build a
balanced scorecard and receive a completed strategy map to analyze. As a third delivery option, the
case can be used twice during the course, both to introduce management control and to discuss
performance measurement. Students will also discuss real life implementation challenges that MCT and
other organizations face.

Cucina Roma.

Natalie Chinsam and Gary Spraakman
Abstract: Focusing on a client organization wanting to outsource its food services, this case provides the opportunity for students to analyze the issues from the perspectives of both the outsourcing company and the food service company (Cucina Roma). The client wants employees to increase their use of the café in order to improve employee morale, productivity, and work-life balance. The Cucina Roma case requires students to use a budget to dynamically plan tactics that will encourage employees to use the company café. Students are tested for budgeting and planning, both quantitatively and qualitatively. The challenge for students is to convert the qualitative analysis into numbers.

Great Galway Goslings: Organizational Context of Managerial Accounting.
Wagdy Abdallah, Theresa F. Henry, Athar Murtuza and Renee E. Weiss
Vol. 8, Issue 3, 2009, pp. 235-253

Abstract: This case seeks to enhance student understanding of the relationship between accounting information and the order fulfillment and production activities of a manufacturing firm, Great Galway Goslings. Great Galway Goslings manufactures goose sculptures and has been suffering losses in recent years. Students draw on the skills they learned in financial accounting to analyze the company's order fulfillment activities, identify economic transactions, and prepare journal entries. The case provides a link to managerial accounting topics as students use segment financial statements to create contribution margin income statements, perform break-even analyses, and recommend whether Great Galway Goslings should keep its retail business segment. Students will become familiar with the key features of business process management (BPM) and the extensive, real-world activities that a manufacturing entity engages in to fill an order. Students will analyze the company's existing order fulfillment process and apply their knowledge of BPM to recommend process improvements for Great Galway. This case contributes to the accounting case literature by serving as a bridge from financial accounting to managerial accounting, intertwining many topics from managerial accounting into one cohesive case, and providing real-world business process knowledge. Student feedback indicates that, overall, the case met its stated learning objectives. Great Galway Goslings is appropriate for an undergraduate introductory managerial accounting course but can be adapted to the equivalent graduate-level course or an accounting information systems course.

Philippus L. Wessels and Shelley-Anne Roos
Vol. 8, Issue 2, 2009, pp. 147-164

Abstract: This article identifies common issues relating to management accounting education in order to determine whether using a competency-based approach would assist educators in the design, delivery, and assessment of syllabi at educational institutions. A conceptual framework is developed and discussed with regard to the critical success factors methodology to design syllabi that assist educators in attaining the main outcomes in the delivery and assessment of the curriculum. This framework is applied to a typical management accounting curriculum to demonstrate how this approach will enable educators to design, deliver, and assess their syllabi in line with the critical outcomes required. In following this approach, lecturers would constantly have to focus on the knowledge and issues that are relevant and critical for students to understand and apply in order to achieve the aim of the syllabi.

A Balanced Scorecard for State U's Facilities Management Division?
Abstract: This case introduces students to building and implementing a balanced scorecard (BSC) in a setting with which they are familiar - cleaning, maintenance, management, and construction of a university's buildings and grounds. Students are asked to construct or critique a BSC for the facilities management division of a university. This may lead to a discussion of the causal linkages implied in the BSC and how one would implement a BSC in a governmental setting.

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Abstract: Double Two is a privately owned clothing manufacturer based in the United Kingdom. The case portrays the historical development of the company, with specific emphasis on the last 20 years. The case outlines the structural and strategic management accounting issues confronting the company particularly over the last 20 years. Students are exposed to issues associated with balanced scorecard construction and implementation and the use of return on investment to measure divisional performance.

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Abstract: This role play is a short, in-class interactive exercise that places students in the role of a factory worker who is asked to commit to a future production amount. The role play demonstrates why employees may be tempted to lie when asked to reveal their future productive capacities. The experiential exercise illustrates the tension between using budget information for both planning and control purposes, and then asks students to propose how senior managers may effectively manage this tension. The role play provides an opportunity to enhance students' moral sensitivities as it concludes with a review of the fundamental ethical principles of International Federation of Accountants (IFAC), noting that although budgetary slack is a widespread phenomenon, it clearly violates IFAC's principles.

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Abstract: This case provides background on a university that undertook a formal strategic-planning initiative. Mary White, Vice-President (Administration), was responsible for developing the performance evaluation framework. She established a special task force, which included Peter Crimson, Assistant Vice-President (Administration), Eva Black, Director of Financial Analysis, and Adam Green, Director of Planning and Analysis, to assist her in this endeavor.

The special task force had an insightful discussion on the balanced scorecard during its first meeting. When the meeting concluded, Mary White asked Adam Green to conduct research on the different approaches to the balanced scorecard adopted in a number of universities. She expected Adam Green
to provide an analysis of the different balanced scorecard approaches in universities, to make recommendations on the balanced scorecard approach that St. Thomas should adopt, and to develop a balanced scorecard for the university.

An objective of the case is to provide students with an opportunity to evaluate the implementation of the balanced scorecard in universities, to recommend an approach for developing the performance evaluation framework, and to design a balanced scorecard for the university.

Abstract: The case unfolds on January 9, 2006, during a board of directors meeting whose purpose is to analyze the financial results of the period ended December 31, 2005; to review the three-year strategic plan; and to approve the operating budget for the next period. This is the first time in 10 years that the Co-op has not attained its financial objectives. Moreover, the members of the board of directors must take a hard look at three major investment projects and choose the one which fits in best with their three-year strategic plan.

Abstract: Managing the distribution function as part of an overall supply-chain management strategy has become increasingly important given rising fuel costs in recent years. This paper presents a comprehensive variance analysis framework developed by supply-chain managers at Catalyst Paper Corporation as a tool for reporting and controlling distribution costs. The model decomposes the overall static-budget variance into four primary variance categories: volume, customer mix, distribution mix, and carrier charges. The framework addresses key limitations in the coverage of variance analysis contained in many management accounting textbooks. Specifically, Catalyst's framework incorporates: (a) mix variance calculations where there is more than one mix factor within a single cost element; (b) the impact of unplanned and unrealized activities; and (c) multiple nested mix variance calculations. Although developed in the context of distribution costs, the framework can be applied to the analysis of other manufacturing and non-manufacturing costs where multiple mix factors exist.

Abstract: Wicklow Mineral Water is about a bottled water company that appears to be the entrepreneurial dream of its owner, Ray Fullam. He has made it past the first hurdle and got the business started. Now he needs to find a way to make it profitable. There are strategic issues with respect to the profile of his main customers and the profits he is making (or in some cases not making) from these customers. He has asked his friend, Jim Hanlon, for advice because he feels that things are not going as well as he had hoped. The context of the case has been changed and the data heavily
disguised, but the case is based on a real situation.

COST, QUALITY AND THE MANAGEMENT OF TRANSNATIONAL SERVICES: A CASE STUDY OF THE UNIVERSAL POSTAL UNION
Kobboon Chotruangprasert and Alan J. Richardson
Vol. 9, No. 1, 2006, pp. 99-109

Abstract: This case examines the use of cost information by the Universal Postal Union (UPU), an agency of the United Nations, to co-ordinate the activities of 189 independent, domestic postal services across the globe. The case describes the basic "terminal dues system", a transfer pricing system that compensates domestic postal services for imbalances in transnational flows of mail, and some problems that are challenging the current system given the move to "liberalize" (i.e., privatize) postal delivery services and the UPU's attempt to provide incentives for developing countries to improve their quality of service.

SUPREMA SPECIALTIES, INC.
Priscilla Burnaby and Susan Hass
Vol. 9, No. 1, 2006, pp. 82-98

Abstract: The Suprema Specialties case involves an analysis to decide if investing in the company is a good financial decision. Suprema is a cheese manufacturer and distributor whose sales are growing at a faster rate than the industry in a generally poor economy. The students take on the role of the financial analyst. In this role, they are first required to research the company and the industry. Then they are requested to examine the 2000 and 2001 financial statements, noting any red flags or potential abuses of earnings. Finally, the students are asked to complete an in-depth ratio and horizontal and vertical analysis of the company's 2000 and 2001 financial statements. Based on their research, the students are required to prepare a memo indicating whether the company should buy or pass on additional Suprema shares.

SUN MOUNTAIN PRODUCTS: A CASE STUDY IN VALUE CHAIN ANALYSIS
Thomas Tribunella and Thomas Amlie
Vol. 9, No. 1, 2006, pp. 71-81

Abstract: This case integrates value chain analysis (Porter 1991) in a production environment. Students are asked to redesign a batch system production process to increase efficiency and eliminate non-value-added steps. Students are also required to compile a budgeted contribution margin income statement in the context of a value chain analysis (VCA). In addition, case questions are organized around Bloom's taxonomy of thinking skills. This case has been used in undergraduate cost accounting courses and in a graduate level MBA program course titled "Accounting for Managers". Student response to a survey indicates that the case facilitates an understanding of VCA.

RIGHT ON TARGET
Arnold Schneider
Abstract: This case integrates several topics in the area of managerial accounting, namely: revenue and cost variances; absorption versus variable costing; cost-volume-profit analysis; and capital budgeting and relevant costs. These topics are usually taught independently of one another; this case demonstrates how they can all be applied together in a particular business situation. The case also poses an ethical issue relating to the use of absorption costing and asks students to discuss the implications. While there is a fair amount of quantitative calculation in the case, there is also a good deal of qualitative analysis and discussion involved. This case is entirely fictional, even though based on a realistic set of events. There is no such business as far as the author knows.

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THE BANKRUPTCY OF LE CHEF

Maureen Francis Mascha
Vol. 9, No. 1, 2006, pp. 52-65

Abstract: The relationship between internal control and IT is the primary focus of the case. Students need to identify internal control weaknesses/inefficiencies prior to designing a system that corrects these weaknesses. (Note: for non-accounting courses, the term "inefficiencies" is insufficient since many of the control weaknesses can be classified as inefficiencies.) The topics of forensic accounting and ERP provide a context for the required tasks.

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UNITED CEMENT COMPANY LTD.: THE LOAN RESCHEDULING DECISION

M. Junaid Ashraf
Vol. 9, No. 1, 2006, pp. 33-51

Abstract: Depending upon the placement of the case in the course, it can be used to familiarize the students with some basic financial analysis tools such as common size financial statement analysis, the concept of ratios (including their calculations and interpretations), and bankruptcy prediction. Or, to go one step further, the case can also be used to understand how the economic environment and accounting choices adopted by the organization affect the analysis. If the instructor would like to focus the debate on conceptual issues, as mentioned in the latter approach, there is probably no need to calculate a lot of ratios. However, if the instructor wishes to achieve the first objective — i.e., calculation and understanding of ratios, then there is enough data in the case to achieve that objective as well. The case also provides the instructor with an opportunity to discuss the limitations of such analysis.

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CURRENT STATUS OF CASE USAGE IN UNDERGRADUATE ACCOUNTING EDUCATION

Peter M. Theuri and Leslie D. Turner
Vol. 9, No. 1, 2006, pp. 21-32

Abstract: The purpose of this study is to provide an up-to-date documentation of the current level of case usage in accounting education. The level of case usage is documented by course type. Faculty perceptions of the importance of case teaching method are also examined and reported by course type. This study also documents how cases are being used (incorporated) within the accounting courses and presents faculty's intended objectives (purpose of the case usage). In addition to documenting how cases are used, this study offers the reader the practical benefit of presenting a sample documentation of the actual cases being used, their sources, and in which course they are being used. Such a list should prove very useful to faculty who may have an interest in incorporating the case study teaching
method into their accounting course. In addition to cases by survey respondents (Appendix A), the authors integrate a sample inventory of cases drawn from the Journal of Accounting Case Research (Appendix B), and the Case Research Journal (NACRA's Journal) (Appendix C). Overall, this study should be very beneficial to faculty who use cases in their course(s) since it provides information about what others are doing in similar courses. For non-case users, it is a revelation of what others are doing that should prompt a careful evaluation of the appropriateness of case usage.

A DAY IN THE LIFE OF A BIG FOUR PARTNER IN BEIJING, CHINA

Robert Bloom
Vol. 9, No. 1, 2006, pp. 12-20

Abstract: This case focuses on typical issues that a partner in a Big Four office in Beijing, China, the country’s capital city, contends with on a daily basis. Emphasis in the case is on Chinese GAAP, most of which have been recently developed, and on the business environment in that country. This case should appeal to business students, especially accounting majors, since China is in the midst of rapid economic development, especially in the manufacturing sector. Beyond that, China presents a case study of a developing country attempting to harmonize its accounting standards with IASB (IFRS) and other GAAP. This is a fictional case based on the real life events of someone in China.

IN SEARCH OF A MORAL COMPASS: THE BAPTIST FOUNDATION FRAUD

Joseph S. Anderson and Lawrence C. Mohrweis
Vol. 9, No. 1, 2006, pp. 1-11

Abstract: Over a period of several years management of the Baptist Foundation of Arizona (BFA) engaged in one of the most audacious fraud schemes on record. The BFA ultimately filed for bankruptcy, and thousands of elderly investors lost their life savings. This paper presents BFA in a teaching-case format for accounting students to read and analyze. The presentation and development in this case is unique. First, students read the case from an internal accountant’s perspective. They place themselves in the role of an employee of the foundation. Using an ethical framework, students are required to evaluate the dilemma faced by the employee. Then students submerge themselves in the role of the outside auditors. With that viewpoint they then evaluate the ethical dilemma and the various options available to the external auditors.

THE CASE OF CAPROCK CYCLE COMPANY

David Perkins, Scott Stovall, and Nicholas J. Fessler
Vol. 8, No. 2, 2005, pp. 16-26

Abstract: This case requires students to examine product costing using three costing techniques fundamental to the education of managerial and cost accounting students: process costing, job-order costing, and activity-based costing. By using one set of economic data to analyze costs using three costing techniques, this case helps students to develop a foundational understanding of product costing that emphasizes the similarities between product costing systems while learning of their differences (i.e., keep the “forest” in focus while “chopping at the trees”). Thus, by keeping a “big picture” perspective, this case provides simplicity and meaning to the study of more complicated details.
FINEX PAPERS INC.

Louise Côté, Johanne Turbide, and Michel Vézina

Vol. 8, No. 2, 2005, pp. 72-84

Abstract: Finex Papers Inc. (FP) is a fictional company. This case draws its inspiration from several Canadian companies in the pulp and paper industry. The management of FP would like to accelerate the company’s growth and increase its rate of return for shareholders. As part of his mandate, the new CEO, Mr. Chartrand, has been charged with transforming this family business into a publicly-owned company within the next few years. In order to fulfill these objectives, he must implement adequate control mechanisms. This case thus provides the basis for a discussion of the company’s current and future strategic orientations, while raising a number of issues related to strategic control in an organization. It offers an opportunity to discuss responsibility centers, the strategic planning process, and the firm’s performance evaluation system, as well as its governance. The notion of strategic control used is that proposed by Simons (2000). It refers to the analytical framework and communication network used to formalize the strategy and to ensure that the strategic goals are communicated throughout the company (for example: strategic planning, budgets, ex ante performance measurement systems). It also includes the vehicles for implementing and evaluating the strategy (for example: incentive pay system, performance control systems).

KORT AUTO MUSEUM

Arnold Schneider

Vol. 8, No. 2, 2005, pp. 85-89

Abstract: The case involves various issues dealing with the budgeting process of a nonprofit entity. It is based on the author’s actual experiences in budget committee meetings of a particular nonprofit organization. Because of this nonprofit setting, the case complements material in cost/managerial accounting textbooks, virtually all of which focus heavily on manufacturing settings, and even those that have some content in service settings have very little nonprofit application. The case forces students to think about a wide variety of budgeting topics, including the purposes of budgeting, different approaches to budgeting, cash versus accrual concepts, levels of detail, and allocation issues.

SPORTS MANAGEMENT TRAINING INSTITUTE

Arnold Schneider

Vol. 8, No. 2, 2005, pp. 109-115

Abstract: This case involves designing an activity-based costing system for a service-oriented organization. Because of this service setting, the case complements activity-based costing material in cost/managerial accounting textbooks, virtually all of which focus heavily on manufacturing settings. The objective of the case is to enable students to understand the issues and procedures for designing a two-stage activity-based costing system. The case also entails analyzing this system vis-à-vis a volume-based system.

SUNNY DELIGHT

Stuart B. Thomas

Vol. 8, No. 2, 2005, pp. 116-126
Abstract: Sunny Delight is a commercial baking business in Miami, Florida started by Bart Johnson. In 2001 Bart started a new product line, Light 'n' Fruity, but this had a detrimental effect on the business' income. It is now 2002, and Bart has to make a number of important decisions. He turns to his daughter Gina, a recent university accounting graduate, for her advice on these decisions that will have a significant impact on the business.

Banner Corporation: To Grant or Not to Grant Credit
James L. Bierstaker, Richard G. Brody, and Robert McDonald
Volume 8, Number 1, 2004, pp. 1-9

Abstract: This case focuses on the calculation and analysis of several short-term liquidity and long-term solvency ratios. Such ratios have been used for many years to predict financial variables and to evaluate the relative performance of a company. Also included is a series of cash flow ratios that, in addition to aiding in the evaluation of a company's financial performance, can be helpful in predicting bankruptcy and financial distress. The case clearly illustrates the difficulty in relying on traditional ratios to determine the creditworthiness of a company. Typical liquidity ratios often present mixed results and make it difficult to reach a conclusion. The inclusion of the cash flow ratios presents a much clearer message to the accountant trying to make a decision. The case would be appropriate for any financial statement analysis course, at either the graduate or undergraduate level, and could also be used in a financial accounting or intermediate accounting course at the undergraduate or graduate level.

How Do I Start a Business?
Roderick Barclay
Volume 8, Number 1, 2004, pp. 56-67

Abstract: This case is about starting up a business with a goal of success and increasing profitability. It is based on a real person and a real situation. Some of the basic financial information has been changed to protect the individual's confidentiality. Also, the name has been changed to assure that the individual involved remains anonymous. This case is written from the perspective of the person who established and operates the company, so the terminology is personal, and the perspective is that of the operator and sole employee of the company.

The Case of Microsoft
Robert Bloom and David Schirm
Volume 8, Number 1, 2004, pp. 74-94

Abstract: This is an interdisciplinary case encompassing accounting, economics, finance, and marketing. The topics included in the case are: accounting income, economic income, corporate income manipulation, financial statement analysis, the nature of a monopoly, and antitrust regulation. In this case, Microsoft has been accused not only of engaging in monopolistic behavior, but also of smoothing its income. The learning objectives of this case are to encourage students:

1. To think critically about fundamental concepts regarding the performance of the firm, reporting of that activity, and external assessment of that activity
2. To integrate subject matter in the business curriculum
3. To evaluate the accusations made against the company in this case.
The issues presented in this case on performance measurement and evaluation, income smoothing, and monopolistic behavior are timely, and of concern to accounting, finance, and economics practitioners as well as academics.

Southern Baptist University: A Move from NCAA Division II to Division III

John B. Duncan
Volume 8, Number 1, 2004, pp. 95-104

Abstract: This case describes a university that is debating a change from competing in NCAA Division II intercollegiate athletics to NCAA Division III intercollegiate athletics. The University is not interested in making this move unless the net present value of cash flows generated over the first five years of competition at the Division III level is greater than the net present value of cash flows that would have been generated over the same time period at the Division II level. This case illustrates the type of assumptions that are necessary when strategic decisions are being made in an organization. In order to work the case, students must draw on their knowledge and understanding of budgeting, relevant costs and benefits, calculations involving the time value of money, and strategic decision-making.

Westlake Bookstore Case

Hugh Grove and Tristy Rudebusch
Volume 8, Number 1, 2004, pp. 105-118

Abstract: This case focuses upon an outsourcing decision for a University Bookstore. A bookstore consulting company has been hired by the University to make observations and develop guidelines for the operation of the University bookstore. The consultants' report is the starting point for the case. The Bookstore manager must use these observations and guidelines to make a recommendation on the outsourcing decision for her upcoming meeting with her boss, the Vice Chancellor of Finance, who is under pressure from his boss, the Chancellor, to improve the efficiency and profitability of the University support functions. Donations and gifts are off sharply due to the uncertain economic times and poor stock market performance already by the summer of 2001 when the case takes place.

Wecare Charity

Stuart McChlery
Volume 7, Number 2, 2003, pp. 1-10

Abstract: The case study revolves around the application of a decision-support system to a cost-saving strategy proposal. The case also introduces to students the environment of the "not-for-profit" sector. The organization on which the case is based was suffering greatly from financial pressures and their current deficit alongside predicted future losses presents the fundamental background to the entire case. The management team had undergone a cost-reduction strategy, including redundancies. However, this had not stemmed the tide of forecast deficits. The accountant suggested reviewing the car fleet management policy currently providing vehicles for the field staff. Ultimately, the management accountant has to decide on a change to the fleet management policy, which will both save the organization money and be acceptable to staff. The final section of the case study considers the behavioral aspects of management decision-making.
Capital City Safety Training Agency
Leslie B. Fletcher and J. Lowell Mooney
Volume 7, Number 2, 2003, pp. 40-46

Abstract: Capital City Safety Training Agency (CCSTA) provides students an opportunity to develop a comprehensive performance measurement system for a not for profit organization that is struggling as a result of a decline in the local economy and the occurrence of significant employee embezzlement. Students are encouraged to use Kaplan and Norton's balanced scorecard approach to strategic planning and performance evaluation. A brief description of the balanced scorecard approach is provided as an appendix to the case. This case should be particularly appealing to instructors for the following reasons: the organization's operations are fairly straightforward and easy for students to understand and analyze; the non profit case setting is a welcome change from the more usual manufacturing setting for balanced scorecard applications; finally, the case exposes students to both strategic planning and performance evaluation.

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The Effect of Plant Expansion on Product Sourcing at A&D, Inc.
Kevin Devine, Priscilla O'Clock, and Brian Foist
Volume 7, Number 2, 2003, pp. 56-62

Abstract: This case is intended to illustrate the complexities associated with the intra-company transfer of goods between divisions that operate as responsibility centres. While the case does require straightforward computation of cost based transfer prices, the general purpose is to encourage students to consider the behavioural implications associated with transfer prices and the impact that these prices can have on company profitability as well as strategic initiatives. The case provides students the opportunity to discover that transfer pricing is more complex than the simple assignment of a price. The case also provides the opportunity to consider evaluation of manufacturing facilities that transfer goods exclusively internally as cost centres versus profit centres. A unique attribute of this case is that it demonstrates a situation where transfer pricing policies could lead to undermining an organization's strategy to expand facilities internationally.

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Martin Music
Nicholas J. Fessler and Eric Martin
Volume 7, Number 2, 2003, pp. 63-74

Abstract: Small and large retail businesses alike must choose what products to stock on their shelves; the problem of stock selection faces all retail stores, from the local health food store to Wal Mart. This case asks students to consider this important issue, and to provide the owner of Martin Music with a decision rule to help him decide between stocking "guitar A" and "guitar B" in his store. Additionally, the case can be used to ask students to evaluate the business' breakeven and to assign fixed costs (the store's space) to product lines and services. Other topics of concern to retail store managers and addressed in this case and teaching note include: what products and services to offer for sale (a strategic concern), allocation of space within the store to products and product lines (a logistical concern), and arranging the space occupied by any given product or product line to maximize the sales appeal of the products (a marketing concern). The primary "take away" of the case is that care must be used when using accounting information in decision making. At Martin Music, economically-oriented (and accounting based) decision rules are likely to result in worse decisions than are currently being made. This is expected, in part, because making stocking decisions based exclusively on expected economic returns would lead to strategically inappropriate decisions. Martin Music specializes in offering high-quality merchandise for sale but, surprisingly, high-quality merchandise yields lower returns than
low-quality merchandise, whose higher returns would be favoured by economically-oriented decision rules. Additionally, poorer decision-making is expected because accounting information cannot substitute for a decision maker's expertise and judgment.

Sabbatical Marine, Inc.

James A. Weisel

Volume 7, Number 2, 2003, pp. 75-90

Abstract: This case focuses on an application of cost volume profit analysis combined with theory of constraints and rudimentary activity based costing. The setting is a small sailboat manufacturer with marginal financial performance. The controller of the firm is charged with developing a budgeting tool that is sufficiently flexible to assist management in making product-mix decisions and evaluate the impact of various scenarios. The case is most appropriate for graduate and advanced undergraduate managerial accounting classes.

Destin Brass Products Co.: Customer Profitability Analysis

Robert H. Ashton

Volume 7, Number 2, 2003, pp. 103-110

Abstract: This extension of the classic Destin Brass Products Co. case, while hypothetical, provides a useful application of activity based costing (ABC) to customer profitability analysis. And it does so in a straightforward setting that is easily grasped by students who have analyzed the original Destin case. Faculty in the Fuqua School of Business at Duke University have found the case effective in both M.B.A. and non degree executive education settings. The case really catches the attention of sales and marketing people. When the case directly follows the original Destin case, it can provide a seamless transition to a discussion of the importance of measuring and managing selling costs.

The Louisville and Nashville Railroad: A Case Study in the Development of Operating Analysis

Jan R. Heier

Volume 7, Number 2, 2003, pp. 111-126

Abstract: This study addresses the ethical issues that are raised when performance bonuses are awarded on the basis of accounting numbers. In the absence of self-control, or executive controls, bonus recipients are placed in a position where their decision-making is capable of distorting for their own advantage the intentions of the scheme. The case provides the opportunity to discuss the potentially dysfunctional impact of such decisions on shareholders, employees, and the community, when financial benefit to bonus recipients is apparently the only consideration.

Greenbelt Athletic Club

Arnold Schneider

Volume 7, Number 2, 2003, pp. 127-132

Abstract: The case involves assigning costs to two cost objects (health club and pre school) in a
service setting. Because of this service setting, the case complements cost assignment material in cost/managerial accounting textbooks, virtually all of which focus heavily on manufacturing settings. The case forces students to think about direct versus indirect costs, and to choose and justify appropriate cost drivers for the indirect costs. The case also shows students how a cost assignment approach can change a misconception about the profitability of a cost object.

Cunningham Construction: Bonus Schemes and Participant Behavior
Malcolm Smith and Christopher Graves
Volume 7, Number 1, Fall 2002, pp. 1-16

Abstract: This study addresses the ethical issues that are raised when performance bonuses are awarded on the basis of accounting numbers. In the absence of self-control, or executive controls, bonus recipients are placed in a position where their decision-making is capable of distorting for their own advantage the intentions of the scheme. The case provides the opportunity to discuss the potentially dysfunctional impact of such decisions on shareholders, employees, and the community, when financial benefit to bonus recipients is apparently the only consideration.

Performance Evaluation at State University
Robery Hurt
Volume 7, Number 1, Fall 2002, pp. 24-28

Abstract: This case deals with the problem of faculty performance evaluation based on merit (performance). It has been primarily based on the experience of one campus of the California State University, which implemented performance-based pay for its faculty in the mid-1990s. By analyzing this case students should be able to:

1. Discuss the major principles and features of Kaplan and Norton's Balanced Scorecard model for performance evaluation;
2. Identify trends in public higher education that have influenced the move toward performance-based pay;
3. Cite advantages and disadvantages of performance-based pay systems in the academic environment;
4. List major constituent groups for a public university, along with factors each considers important in evaluating faculty performance;
5. Develop an academic balanced scorecard based on their research and analysis.

The case could be used effectively in a management accounting course, either at the introductory or advanced level. It could also be employed in a capstone course on emerging issues in accounting.

RICS
William K. Carter and Tom Fife
Volume 7, Number 1, Fall 2002, pp. 29-37

Abstract: This case, the result of a recent and ongoing field research in an existing business, deals with activity-based costing and activity-based management (ABC/ABM) in a for-profit, service entity. The case describes the environment and operations of a public, refrigerated warehouse, its traditional accounting system, and management's recognition of the shortcomings of their cost information. It
provides students with an opportunity to recognize that a new kind of cost information is needed and to consider what the structure of that information might be. The case then presents some results of management's ABC study, and enables students to recalculate costs and profits for three jobs using ABC. The final portion presents the results of management's analysis of customer profitability based on ABC, and requires exploration of ABM.

St. Monica's Hospital: Refining Hospital Costing Systems: A Focus on Cost Allocation

Bia Chiang
Volume 7, Number 1, Fall 2002, pp. 68-78

Abstract: This case starts with a dialogue between Jan, the controller of a hospital, and members of the board of directors during a meeting. The members of the board are questioning Jan regarding the cost of services provided by the hospital. Following this, a newly hired financial analyst is assisting Jan, collecting and analyzing all related financial information to seek ways to improve the hospital's current costing system. In the case, an activity-based costing system is implemented as a pilot project in the cardiac catheterization department of the hospital. This case is designed for use in introductory or upper-level management accounting courses. It is provided to emphasize the following management accounting topics: cost behavior, cost allocations, cost drivers, and activity-based costing. The case offers a broad context that allows students to discuss issues of refining a cost accounting system.

Toco Hills University

Arnold Schneider
Volume 7, Number 1, Fall 2002, pp. 79-83

Abstract: The case involves the step-method of allocating support (service) center costs for an organization in a non-profit setting. This setting-a university-should be quite familiar to students! In particular, the case examines the effects of different orderings for the support-center allocations, and also the ethical implications of changing an ordering to shift costs. The case demonstrates that the ordering of support-center allocations can be manipulated to generate higher revenues currently, but in addition to the ethical considerations, students are asked to think about longer-term economic considerations that may result from this cost shifting. Students should have had prior exposure to the step method of service-center cost allocation before undertaking this case. The case is appropriate for both undergraduate and graduate cost or managerial accounting courses. This case can be covered in a 50-minute class period. It blends lengthy, but fairly straightforward, computations with opinionated discussion. Students should be prepared to spend about three or four hours working on the case.

Woolens Industries, Incorporated: An Old Economy Company Threatened by Foreign Competition

Nasrollah Ahadiat
Volume 7, Number 1, Fall 2002, pp. 84-89

Abstract: This case is suitable for an undergraduate course in advanced cost/management accounting or a graduate course in this area. The following issues are particularly addressed in the case:

1. Strategic management: Including tactical decisions concerning foreign competition, shrinking market share, and market saturation, diversification, etc.;
2. Innovation: How to improve the company's product lines in order to capture a larger market share (new product development);
3. Improving profit margin: strategies involving how to improve profit margin in a competitive environment in order to guarantee the company's long-term survival.

The case was used in two consecutive quarters in an Advanced Cost Accounting course.

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**CYTO Technologies**

Suresh S. Kalagnanam and Suzanne K. Schmidt  
Volume 6, Number 2, Fall 2001, pp. 19-31

**Abstract:** The case focuses on the project selection process used by a biotech firm. This firm, Cyto Technologies, recently decided to place greater emphasis on the financial performance of its new projects. This study illustrates the problems and issues a company must address when appropriate investment in research and development (R&D) is critical. The case can be used to motivate three different discussion topics. First, cost allocation issues can be discussed through this case. Second, the case can be used to discuss capital budgeting issues, such as cost specification, timing of the financial analysis (when the analysis is done), time horizon of the analysis (three-year versus longer period), project selection criteria, and the use of an appropriate hurdle rate. Finally, the case can be used to discuss behavioral issues, which may arise when a firm introduces a major change in focus; in particular, a change that involves an increased emphasis on financial performance. This case can be used both at the undergraduate and graduate levels in an advanced management accounting course. The case requires basic knowledge of cost allocation, the use of activity-based costing in service organizations, and the fundamentals of capital investment analysis. Given that the case also deals with behavioral implications, it may be appropriate to use it while discussing topics related to management control (e.g., performance evaluation, use of financial versus non-financial measures). The breadth of the case emphasizes the use of integration skills.

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**Noranda Mining & Exploration Inc.: Activity-Based Costing at Brunswick Smelting Division**

Ronald Roy and Elin Maher  
Volume 6, Number 2, Fall 2001, pp. 88-96

**Abstract:** This case would be appropriate for any management accounting course, at the graduate or undergraduate level, where ABC/ABM is studied. In analyzing this case students should be able to understand the shortcomings of a traditional cost accounting system as a managerial tool. Furthermore, they should recognize that ABC is a viable alternative for managerial accounting and be able to identify the critical success factors required for implementation. Finally, they should be able to identify the potential benefits associated with extending an ABC system to management's participation in ABM. Consider assigning the reference material as required reading.

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**Selgae Law Firm**

Albie Brooks and Judy Oliver  
Volume 6, Number 2, Fall 2001, pp. 104-112

**Abstract:** With its focus on an actual law firm this case is set in the professional services industry. While other material available centers on pricing related issues in the services sector, this case focuses on costing and product mix from a strategic perspective. Nested in a background of increasing competitive pressure in some service areas, Selgae Law is forced to redirect its attention to costs and product/service mix to ensure maximum performance and best use of resources. Set in the professional
services industry, the case raises a range of costing issues not often explored in this industry sector. The case provides the opportunity for students to contemplate and conduct alternative treatments for overhead-related costs, and strategic decision-making with regard to product/service mix and resource allocation.

**Abstract:** This case demonstrates the use of value-chain analysis for strategic cost management. Students must integrate traditional financial performance measures with qualitative, long-run strategic management issues. The case is set in January of 1997 in Cleveland, Ohio. Acme Axle, Inc. manufactures axle systems that are used in ground transportation equipment such as golf carts and trailers.

**The Admiral Benbow Motel**

Gerald M. Myers  
Volume 6, Number 1, Winter 2001, pp. 10-20

**Abstract:** Bill and Laura Campbell had decided to spend their retirement running a small motel on Cape Cod, Massachusetts. After one deal fell through, the Campbells purchased the Admiral Benbow for $950,000. The motel prospered under the previous owners, but the first two years of the Campbell's ownership were a financial disaster, with losses totaling a bit over $60,000. The case closes with Bill Campbell wondering what has happened. Are they simply the victims of an unfortunate turn in the tourism business, or has something more fundamental gone wrong?

**Baseline Racquet Sports**

Joseph G. Donelan, Joe Alexander, and Edward A. Kaplan  
Volume 6, Number 1, Winter 2001, pp. 21-33

**Abstract:** The case provides a vehicle for covering a classical decision tool -the incremental costs analysis. It also provides a vehicle for discussing modern, strategic decision-making tools. At the tactical level, short-run costs must be evaluated for relevance. At the strategic level, long-run marketing and strategic position must be considered. In the 1980s, managerial accountants were likely to have focused on the tactical analysis only. And marketing managers were likely to have focused on strategic marketing alternatives without quantifying those alternatives. In a contemporary business environment, managers in all functional areas must combine their efforts to develop a strategic plan for long-run success.

**Faculty Club**

Gary Spraakman  
Volume 6, Number 1, Winter 2001, pp. 34-38
Abstract: Students are tested on the following management accounting techniques: cost behavior, including breakeven analysis, controls, and responsibility accounting. The case can be used for in-class demonstration or as an examination. Role-playing can be used in class. The case is also a means of demonstrating principal-agent theory, or in other words the agency problem. The instructor might want to lecture on the key points or assumptions behind the agency problem: principal-bounded rationality, agent opportunism, and costly information.

Middletown University

Y. Lillian Chan and Bernadette E. Lynn
Volume 6, Number 1, Winter 2001, pp. 67-80

Abstract: Middletown University is a case rich in managerial accounting issues with special focus on cost allocation and pricing. The setting, a not-for-profit, public institution provides students with experience in balancing the complex objective function of such organizations where public welfare competes with cost efficiency. Students can be challenged to adopt the role of James Matthews, the President at Middletown University, and develop various policies and strategies to improve the fiscal condition of the institution without jeopardizing its commitment to quality education and service to students and to leadership in innovative education and applied research.

The Proctor and Gamble Company: Allocation of Research and Development Costs

Cynthia J. Rooney, Kevin Devine, and Christopher M. Conley
Volume 6, Number 1, Winter 2001, pp. 81-89

Abstract: This case focuses on issues related to the internal allocation of research and development (R&D) costs at Procter & Gamble (P&G). Research costs at P&G are incurred by three divisions, Corporate R&D, Technology Development, and Product Development. Many of these costs are allocated to the sectors or business units of P&G based on a percentage of net sales. The purposes of cost allocations are considered, especially the impact of cost allocations on evaluation and decision-making processes. The case presents an opportunity to introduce life-cycle costing as a model for improved decision-making.

A Law Department for Precision

Sally Gunz and Andrew Kuske
Volume 6, Number 1, Winter 2001, pp. 90-98

Abstract: This case can be used in a number of different ways, depending on the goals of the particular class, and even the discipline in which the class is being taught. We see it as useful both at the introductory level, where qualitative analysis would be primary, and in advanced management accounting courses where, in addition to the qualitative measures, considerable attention could be paid to quantitative analysis. This case allows an opportunity to deal with performance measurement of professional staff functions. This case has been written to emphasize the complexity of the decision, whether or not to create a law department in a business. Its primary goal is to create an awareness of the need to approach this decision in a disciplined and systematic manner. Indeed, many instructors might choose to broaden the case by considering this "make-buy" decision and cost controls in other contexts. While the make-buy decision is obviously important to the case, it should not be considered in isolation.
Abstract: Business process reengineering (BPR) is a tool that is being used extensively by businesses to improve costs, cycle times, quality, and customer satisfaction. This case exposes students to the role of activity-based management (ABM) in conducting a BPR project. By focusing on the activity analysis, process mapping, and value-added analysis components of a BPR project, the students see that BPR and ABM are closely linked concepts.

Abstract: The owner of Trailhead Market must decide whether demand is sufficient to justify adding a delicatessen to his small town grocery store. If so, how could he finance it? The owner has tried for three years to improve the position of the store with little success. The case provides detailed financial statements and other information needed by students to evaluate the market for a deli, develop several strategic options, assess the likely consequences, and determine the feasibility of success.

Abstract: This case is a "Balanced Scorecard" mini-case intended to illustrate the linkage and lead-lag relationships between financial and non-financial performance measures. The case should be assigned as a supplement to a reading that explains the Balanced Scorecard concept. The case is intended for an experienced, advanced cost/MBA/executive audience. In ABC Company, the owner-manager of a niche electronics manufacturer faces declining profitability and market share. External forces such as increased competition and shorter product life cycles counteract major internal improvements. Students are asked to recommend a set of inter-related performance measures that capture the essence of the business.

Abstract: This case has three basic parts. The first part describes a problem with a class waiting list encountered by a student on the first day of classes at Atlantic University. The second part gives an overview of the Continuing Education function within Canada and Canadian universities. The third part then describes a situation involving the Continuing Education division within Atlantic University. Atlantic University just recently added a Continuing Education Division. Its CE Director and the Dean of the Business Faculty are locked in a dispute over the allocation of tuition revenues. These two divisions are
each profit centers within the university and are, therefore, responsible for revenue generation and cost control. After pre-registration for the upcoming semester, it was determined that one of the Business Faculty's day classes had a large waiting list while the same course being offered in the evening by the CE division did not have sufficient enrolment to proceed. It has been suggested that the students on the waiting list for the day class be permitted to enroll in the night class.

Aztec Equipment Corporation: Business Acquisition Decision
Hugh Grove, Tom Cook, and Gordon Von Stroh
Volume 5, Number 2, Summer 2000, pp. 31-45

Abstract: The major decision problem for the CEO of Aztec Equipment Corporation is whether to acquire another business that would increase the assets, sales, and operating income of the existing business by over 50% but would also strain the company's financial and managerial capabilities. Years earlier, this CEO had successfully acquired a business, which had also expanded the existing business by over 50% as discussed in the case. The first key issue concerns the potential conflict between business growth and business survival, especially concerning financing issues. The second key issue is how to establish a management control system for a business, which would now have major operations in three separate U.S. locations. The company currently has only two senior managers, a chief executive officer and a chief financial officer.

Bagwell Company
Gary D. Burkette
John F. Nash
Volume 5, Number 2, Summer 2000, pp. 46-58

Abstract: Bagwell Company can be used in a variety of undergraduate or graduate accounting courses, including accounting information systems, management accounting, and management advisory services. It could also be used in courses in operations management or organizational behavior. The case allows students to integrate their accounting education with knowledge from other disciplines such as management and marketing. The case portrays a regional paper and packaging supplies business founded and operated by father-and-daughter entrepreneurs. Over the years the business has become the owners' whole lives. But profits are declining and urgent steps must be taken to improve cash collections, order processing, purchasing, and inventory management. With the father's failing health, the owners find it harder and harder to manage - or more precisely micromanage-operations.

Blue Hose Manufacturing Company
J. Lowell Mooney, J. Harrison McCraw, and Noyan Arsan
Volume 5, Number 2, Summer 2000, pp. 59-68

Abstract: Blue Hose Manufacturing provides students an opportunity to develop a comprehensive performance measurement system for a textile manufacturing company that seems to have reached a plateau in its growth and profitability. The case allows instructors to reinforce the following lessons: (a) what gets measured, gets done; (b) information needs vary by organizational level; (c) performance measures must be linked to critical success factors; and (d) measurement systems must be multi-dimensional (i.e., balanced). While not one of the primary learning objectives, the case also recounts the firm's efforts to transform itself into a world-class manufacturer.
McCloskey Motors
Gary Spraakman
Volume 5, Number 2, Summer 2000, pp. 118-124

Abstract: There are three purposes for this intermediate or advanced management accounting case. First, it is intended to facilitate student skill development in identifying and developing performance measures. Second, the case strives to put forth a context that most students can relate to whether or not they have had work experience. Third, this case is intended to provide students with the opportunity to analyze the economic viability of a strategy prior to implementation.

National Co-operative Distributor Limited
Ingrid Splettstoesser
Volume 5, Number 2, Summer 2000, pp. 125-134

Abstract: This national distributor and manufacturer (the product line and the people are disguised to protect the identity of the business) implemented a forecasting and buying system. Students need to recognize and analyze problems that occurred, both with the system itself, and the process used to select, design and implement the system. This involves examining the actions of management and individual employees, as well as assessing the validity of management objectives by comparing them to the results of the implementation. Comparison of profit-oriented to nonprofit organizations (such as this co-operative) is possible. The behavioral issues associated with reporting management inadequacies could be raised.

"I Have Something to Say!" Symposium/95 (A) and (B)
Mary Heisz
Volume 5, Number 2, Summer 2000, pp. 182-194

Abstract:

Case (A)
The organizers of the "I Have Something to Say!" Symposium/95 were unsure of what the fee structure should be for either the vendors participating in the trade show or the symposium participants. Although a profit was hoped for, the organizers felt that a more reasonable goal for this first offering of the symposium was to break even. The number of vendors was easier to estimate than the number of general participants. The organizers wanted the fee structure for the participants to include both early registration and group discounts.

Case (B)
This case is a continuation of the (A) case. In the (B) case, the organizers of the "I Have Something to Say!" Symposium/95 were discussing the actual results of the symposium. Although a $3,000 profit was budgeted for, a small $1,000 loss actually resulted. Several items combined to result in this variance including reduced corporate donations, a reduced number of vendors renting booths, an increased number of general participants, a change in the participant fee schedule to include one-day only fees, an increase in site and marketing expenses, and a decrease in program expenses. The organizers wanted to better understand the variances and to begin to budget for the next offering of the symposium.
AJM Jute Mills Limited (Uniform Accounting Systems)

Zahirul Hoque and Manzurul Alam
Volume 5, Number 1, Winter 1999, pp. 7-12

Abstract: The central issue in the AJM case is basically the use of accounting data in an organizational setting. This case raises some interesting and relevant issues in the accounting system and management control fields and allows students to see how transactions are coded through the chart of accounts to trace costs to various cost objects. The case addresses how systems change to meet the changing needs of decision makers as the organization's environment changes. Finally, it addresses both structure and process issues in management control and the related behavioral impact.

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"Delectable Deliveries, Inc.

Elizabeth B. Davis, Charles E. Davis, and Brad Copland
Volume 5, Number 1, Winter 1999, pp. 32-41

Abstract: The Delectable Deliveries, Inc. case focuses on various issues related to incentive pay plan structure. The issue of performance-based incentive plans and the impact these plans have on employee behavior is a timely issue. A 1993 survey by the Conference Board found 75% of the 382 firms surveyed offered some form of incentive pay to employees [Nulty 1995]. However, as Steve Kerr [Sherman 1995] notes, many firms fail to recognize the need for congruence between the incentive pay scheme and the company's goals. Such an omission can be detrimental to the firm, as Lantech, a small packaging machinery manufacturer, discovered [Nulty 1995].

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Energy Direct's Proposed Wind Farm (is a Wind Farm a Money Spinner?)

Stephen P. Keef and Melvin L. Roush
Volume 5, Number 1, Winter 1999, pp. 42-53

Abstract: This case study is an application of the net present value (NPV) method to real life data. It is assumed that the student is reasonably conversant with the mechanics of the NPV method. They are:

1. the prediction of future cash flows. The dimensions here are the identification of relevant cash flows and appropriate assumptions about the future;
2. the choice of the appropriate risk adjusted (business and leverage) discount rate. We plan to use the weighted average cost of capital approach.

There are three points that instructors may like to bear in mind. First, there are no intentional hidden barbs. Innovative students, however, will often create these (unnecessary) complications. Second, a spreadsheet can be used to analyze this case. One of the case writers, by no means an expert with spreadsheets, was (eventually) able to program the NPV calculations in just over two hours. Third, a unique correct answer does not exist for this case study. A qualitative dimension of the case centers on the inputs required for the NPV model.

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The Freda Fragrance Corporation

Ross Bengel and Patricia Casey Douglas
Volume 5, Number 1, Winter 1999, pp. 54-63
Abstract: The primary purpose of this case is to provide a vehicle for studying budgeting that combines the traditional preparer approach to managerial accounting with the emerging user approach that has gained increased recognition throughout the accounting discipline. The case combines master-budget preparation with an investigation of cost-management opportunities in a small manufacturing firm. The case is flexible enough to allow the instructor to choose a preparer-orientation, a user-orientation, or a combination of both. In addition to budget preparation, students learn to be cost conscious and to examine the assumptions underlying budget numbers. The case demonstrates the interaction of the budgeting process with the ongoing management of the organization, and links accounting courses to other courses in the business curriculum.

Highland Haven Creekside Inn
Tom Cook and Hugh Grove
Volume 5, Number 1, Winter 1999, pp. 64-77

Abstract: In 1994, Grace Callahan, a young entrepreneur, was trying to fulfill a lifelong dream of owning her own business. Her search for suitable establishments lead her to the Highland Haven Motel, a small motel located in the mountain community of Evergreen, Colorado. The current owners of the motel were willing to sell if the price was right. Grace must determine a fair price for the motel and whether she can put a purchase deal together. She has some money available from an inheritance as well as personal savings and retirement accounts. The current owners are willing to take a note for as much as 40 percent of the final purchase price. At the probable purchase price Grace must determine whether she should make the investment and how she can repay the note and have a reasonable cash flow left for her. Other related issues are the breakeven sales level for a small motel, sensitivity analysis of the base valuation estimate, the quality of the information generated by small businesses for decision-making purposes and Grace's readiness to run her own business.

Management Control and the Holy Grail [not-for-profit case]
Paul Theivananthampillai and Kate Wynn-Williams
Volume 5, Number 1, Winter 1999, pp. 78-87

Abstract: This case focuses on the broad control issues that face a not-for-profit organization. This case is appropriate for advanced management accounting papers at the undergraduate level or management accounting papers at the MBA level. The course for which this case study was developed is a final year undergraduate management accounting paper at the University of Otago. The recommended text and supplementary readings form a platform for students to debate the underlying issues in this case. A few of the comments from our 250 final-year students are incorporated in this teaching guide. There is a temptation for the accounting numbers to dominate the discussion but our attempts have been to facilitate a discussion on the broader issues of control and to empower final year students with an appreciation of broader institutional and governance mechanisms.

Mapleview Hospital
Murray J. Bryant and Leelah Dawson
Volume 5, Number 1, Winter 1999, pp. 88-102

Abstract: The review of the incentive system occurred as a result of the high level of dissatisfaction expressed by most members of the department. As the department consists of highly trained
professionals who are directly responsible for revenue generation, the situation is not acceptable. If the issue is not resolved, it is likely that the Group Practice Plan will break apart. The problem is being exacerbated by an environment in which the Medicare fee schedule has remained flat while costs continue to rise. In spite of the relatively generous base compensation package, one of the reasons for dissatisfaction is that most physicians saw their annual bonus decline relative to fiscal 1989. One of the goals in resolving the current situation is to create a compensation system that will remain in place for the foreseeable future.

The Prince Edward Hotel and Convention Centre

Sean Hennessey and Michelle Johnston
Volume 5, Number 1, Winter 1999, pp. 103-114

Abstract: This case provides detailed information regarding the expansion of a major hotel in a small Canadian city. Sufficient data is provided to allow students to complete a comprehensive capital budgeting analysis of the proposed expansion. As well, the case allows an exploration of the issue of governments providing financial incentives to businesses. Government incentives for businesses to locate in a particular region, or to expand a current operation, are a worldwide phenomenon. This case provides details on two such government incentives and requires students consider the appropriateness of governments offering financial incentives to business. Also, students can determine the financial magnitude of these incentives for the expansion project. The strategic implications of the expansion can also be evaluated. The case is suitable for an advanced financial accounting, a managerial accounting, or a corporate finance course.

A Strategoc (SWOT) Analysis of the Use of Cases in the Undergraduate Cost Accounting Course

James P. Borden, Fred F. Devine, James M. Emig, Thomas F. Monahan, and David E. Stout
Volume 5, Number 1, Winter 1999, pp. 143-152

Abstract: Recent calls have been made for the increased use of cases in the teaching of accounting. Several papers in the accounting literature (viz., Campbell and Lewis, 1991; Libby, 1991; Knechel, 1992) offer general guidance to prospective case users. However, little experiential evidence exists regarding large-scale implementation efforts of case-based teaching in accounting. This paper draws on the experiences of five faculty who have been teaching a case-based undergraduate accounting course for the past seven years. A strategic analysis of their efforts using a SWOT (Strengths, Weaknesses, Opportunities, Threats) framework is presented. Additionally, evidence on student perceptions of the case-based course from a recent semester is presented. Specific recommendations regarding case usage, based on the collective experience of the faculty teaching the course and student feedback obtained, are also offered. The analysis and recommendations offered in the paper are designed to provide information that can be used by potential users to make an informed choice regarding the use of cases in their own accounting classes. In addition, the SWOT analysis provides an evaluation framework that can be used by other accounting faculty in conjunction with their implementation of innovative educational programs.
Abstract: This case can be used for some of the following purposes: (1) have the students think about and discuss the "cost" to the dealership of a vehicle when a trade-in is involved; (2) have the students think about the implications of performance evaluation systems and their impact on people's motivation; (3) help the students realize that in our society, profit is not something people in a profit-seeking firm should be ashamed of or apologize for; (4) enable the students to discuss appropriate transfer pricing mechanisms between departments of an integrated company; (5) show that the proper way to evaluate a department of any organization is to do it before allocated common costs; (6) sensitize the students to the fact that in business we rarely deal with black and white issues.

Helping Hand
Linda Lee Larson and Peter John Poznanski
Volume 4, Number 2, pp. 71-74

Abstract: A number of social, ethical, and business concerns are involved in this case. Because there is no clear delineation among these concerns, the class tends to integrate these areas when discussing the case. The social issue deals with the students' awareness of organizations such as Helping Hand that are established to benefit society. This can lead into a discussion of the fact that organizations such as these (should) use accounting information for planning and control purposes. Further discussion can lead into the problems encountered by the United Way organization, primarily the alleged misuse of funds, and how proper accounting procedures such as controls and audits could have caught this problem early on. This tends to lead into a discussion of the business ethical issues. These issues are presented not so much to resolve, as to make students aware of such issues. The business concerns deal with the lack of record keeping, the need to plan and budget on a cash basis, and the potential for the future success or failure of Helping Hand.

LT Helmets: Part II
Thomas J. Cook, Hugh D. Grove and Gordon Von Stroh
Volume 4, Number 2, pp. 94-107

Abstract: In Part I of this case, LT Helmets was a rapidly growing, privately held company. Sales had quadrupled and profits had nearly doubled over the last four fiscal years from September 1988 through September 1992. In Part II of this case, the major issues from Part I have come together to cause a severe liquidity crisis for LT Helmets which is on the verge of bankruptcy as of March, 1993. The obvious solution is to liquidate inventories at discounted prices to meet potential, new investors' demands. This solution makes LT Helmets a discounter by default. The subtle alternative is to maintain LT's traditional high end market strategy which falls short of meeting the investors' short term liquidity demands for LT. Additional strategies will have to be considered to convince these investors to take a longer term view of LT's prospects. One key strategy would be to focus upon flexibility by serving both markets at the cost of obtaining additional financing beyond this arbitrary two-month cutoff demanded by these potential investors. A general case update, explaining the current status of the company and its new owners, is provided at the end of these teaching notes. The case raises several important managerial accounting issues with related finance and management issues. This case has been used in managerial accounting courses for master of Accountancy and Executive MBA students, in elective finance courses, and in capstone management strategy courses for both MBA and undergraduate students.

Maquinaria de Precisión Mexicana, S.A.: A Case on Capital Budgeting and Inflation
Marvin L. Carlson  
Volume 4, Number 2, pp. 116-120

**Abstract:** Maquinaria de Precisión Mexicana challenges students to reason out an appropriate methodology for incorporating inflation into capital budgeting analyses. The basic project description is deliberately kept simple so that the basic methodological principles governing the treatment of inflation in capital budgeting analyses will be the only issues focused upon. The case should be used only after students have been introduced to basic capital budgeting methodology under conditions of price stability. The case presents students with five possible ways--some valid, some invalid--of incorporating inflation into the analysis of a given project. It invites the student to think seriously about methodological issues, separating valid from invalid approaches, and identifying the errors in each of the invalid approaches.

Snowbird Hockey  
Carol F. Venable, Robert Capettini, and Steven Martinez  
Volume 4, Number 2, pp. 136-143

**Abstract:** This case provides instructors with the ability to address a wide variety of issues. It demonstrates the interrelationships in the various subareas of accounting and is one of the best arguments for not teaching financial accounting separately from systems, managerial or tax. It demonstrates the benefits of not relying solely on one-page cases where students may see accounting problems as self-contained and one-dimensional, rather than as problems with a global, strategic, and overall business focus. This case has been used in an integrated accounting course for upper division accounting majors who have just completed introductory accounting, as well as in an accounting information systems class, a controllership course, and an audit course. The case covers financial, tax, managerial, and systems topics. The case also is appropriate for use in a capstone course in an accounting program.

Sopra S.A.  
Julia Grant and Paula Gutman  
Volume 4, Number 2, pp. 144-152

**Abstract:** This case is a composite of various experiences with an existing import company in West Africa. The situations and decisions presented in the case occurred over the course of a ten-month period. This setting can be studied as an example of an attempt to apply U.S. accounting techniques in an international setting, most particularly in an unstable economy in which the cost function includes some unusual dimensions and relationships. There is no single right answer to the problems Bennis faces. In sum, the case provides a developing world setting that can be used to address many facets of managerial and cost accounting as well as give the student an introduction to the limits of these tools in a real world setting.

Star Video  
Monte R. Swain and Brian Walker  
Volume 4, Number 2, pp. 153-162

**Abstract:** Star Video (a management company for video rental outlets in grocery stores) is a fairly young company experiencing substantial growth. Star Video's managing partners do not seem to be
really aware of these potentially negative signals. They are more concerned with finding new stores to open and "loser" stores to close as quickly as possible. Currently, management must deal with the threat of its most valuable customer (Crown King) switching to another company. Teaching objectives include: demonstrating the influence a poor cost allocation system can have on decision making; illustrating the need for an accounting system to "grow" with the company; helping students understand that accounting is not done in a vacuum.

Blueprints for Marriage (A): An Exercise in Entrepreneurship
Leon J. Hanouille
Volume 4, Number 1, pp. 12-19

Abstract: "Blueprints for Marriage (A)" calls for students to contemplate some of the choices to be made by an emerging enterprise. Eric and Sara Giser have developed a "game" to facilitate communications between couples preparing for marriage. Prototypes in local use have proven so successful that the couple would like to produce the game for wider distribution, but resources and knowledge are limited. In this scenario, student teams must determine levels of production, decide how to account for certain expenses, justify their choices, and analyze the results. This case is suited to an introductory or intermediate managerial accounting course.

Blueprints for Marriage (B): An Exercise in Entrepreneurship
Leon J. Hanouille
Volume 4, Number 1, pp. 20-28

Abstract: "Blueprints for Marriage (B)" calls for students to contemplate some of the choices to be made by an emerging enterprise. Eric and Sara Giser have developed a "game" to facilitate communications between couples preparing for marriage. Prototypes in local use have proven so successful that the couple would like to produce the game for wider distribution, but resources and knowledge are limited. In this scenario, the student teams must prepare a business plan for the new company. In the process, they must decide (and justify) what form of business organization to adopt, how many units to produce, how best to market them, how much money to raise, and how to raise it. This case is more suited to an advanced level class where financial planning for a new enterprise is the focus.

Corporate Culture, Power, and Transfer Pricing
L. Gayle Rayburn and J. Michael Rayburn
Volume 4, Number 1, pp. 29-36

Abstract: Corporate culture includes the norms that guide behavior reflected by the status accorded to certain individuals. This culture is demonstrated in the formal and informal rules that have developed for getting a task done and in the type of language used in an organization. As organizations experience the problems associated with rapid growth or consolidations and buyouts, major shift in culture and operations may be needed. The case illustrates that power is enhanced by employees' ability to provide substitute services. This case focuses on the negotiations necessary to arrive at transfer prices that do not lead to sub optimization. It further exposes students to the behavioral implications of implementing transfer prices in a diverse corporate culture. This case is appropriate for Controllership, Decision making, Case oriented courses covering an overview of many disciplines, Management or Cost Accounting I and II courses at the graduate or undergraduate level.
J B Development and Construction LTD.

David J. Collison
Volume 4, Number 1, pp. 62-67

**Abstract:** This case examines relevant costs and revenues and is suitable for an intermediate or advanced management accountancy course in an undergraduate degree, or for an MBA. The case can be used for group discussion or as an assessment exercise.

Nagrom’s Ovens, Inc. ("Mama’s Bakery")

Konrad E. Gunderson, James D. Hansen, and John D. Morgan
Volume 4, Number 1, pp. 68-73

**Abstract:** This is a comprehensive case analysis that provides students an opportunity to integrate and apply concepts learned in an undergraduate or masters level managerial accounting course. The case describes a medium-size manufacturing firm whose company history reflects developments in post war US industry, and the problems that many firms have experienced when making decisions based on data generated by an accounting system developed primarily for financial reporting purposes. The central theme in the case deals with how accounting information can help the firm formulate a successful competitive strategy. The case requires students to integrate and apply concepts in the following areas: cost behavior, including analysis of cost drivers; short run decision involving use of idle capacity; long run product pricing and product line decision involving competitive strategy considerations. Students will need the following background to complete the case: introduction to cost/managerial accounting; introduction to activity-based costing; introduction to segment reporting; and introduction to competitive strategies.

Quantum Corporation

Thomas C. Rohrer
Volume 4, Number 1, pp. 98-109

**Abstract:** This case is a comprehensive, real world presentation of an organization's functional and cultural interrelationships and strategic financial complications that can arise in a company as it moves through all of the phases of a business life cycles. While the name of the companies involved are fictitious and purposely sound familiar, the events and problems presented in the case are essentially true. The Quantum case is particularly useful as a capstone case for study in advanced Management Accounting courses at the university senior or graduate student level. It is also designed to be useful for continuing education programs for financial managers, management accountants, CPAs, CAs, CMAs, and financial consultants.

Savi Technology: Indirect Costs and Job Costing

Steven Huddart and Bacilio Palomo
Volume 4, Number 1, pp. 110-118

**Abstract:** This case examines the accounting system of a small company that produces customized
electronic equipment under cost plus federal procurement contracts as well as fixed price commercial agreements. The facts in the case are drawn from a high technology start up company headquartered in Palo Alto, California. Principal issues for discussion are: the extent to which the structure of the accounting system is determined by government procurement regulations; the appropriateness of a government mandated cost model for internal decision making purposes; the incentives created by the accounting system to subcontract work associated with cost plus contracts and to undertake in house work associated with fixed price contracts; the difficulty of determining the profitability of individual contracts, even in a small industrial concern; the differences among cost categorizations for different business purposes, like financial reporting, reporting to government auditors, and internal decision making. The case is suited to an intermediate or advanced level accounting class at graduate (MBA or M. Acc.) or undergraduate level.

Zero Base Budgeting: Western Interconnections Division

John A. Devine and Lawrence P. Grasso
Volume 4, Number 1, pp. 165-179

Abstract: This case is based on a real world implementation of zero base budgeting concepts at a division of a high technology company. The case has two major objectives: to illustrate zero base budgeting and stimulate discussion of zero base budgeting concepts, and to illustrate obstacles to system change that may be encountered when a company attempts to change a control/information system. The case has been used in introductory graduate managerial accounting classes. The students, first year MBAs, are assumed to have no prior accounting background (except an introductory financial accounting course preceding managerial in the sequence) and some business experience. The case could also be successfully used in more advanced graduate classes and could work especially well in executive classes, where the students are likely to have more extensive business experience.

Chemco Limited

Irene Wiecek
Volume 3, Number 2, pp. 24-31

Abstract: The focus of this case is on financial reporting and environmental liabilities. It is a very flexible case in that the main accounting issue is not a technically complex one. Its strength as a teaching/learning environment lies in the fact that it looks at making financial reporting decisions in an environment where there are competing financial reporting objectives and very little guidance from GAAP. It also provides exposure to business decision-making in the 1990s and examines underlying motivations as a precursor for making financial reporting decisions. The case may be used in the full range of financial reporting courses from the introductory level to the intermediate level and especially at the graduate level where students may have had some experience in making decisions in this type of environment. A strength of the case is that it integrates several different subjects such as management decision-making, financial reporting, auditing, law and behavioral accounting.

Multipaint, Inc.: An Integrative Case in Environmental Accounting

Robert M. Bowen, Stephan E. Sefcik, and Naomi S. Soderstrom
Volume 3, Number 2, pp. 55-66

Abstract: This case requires integration of concepts from managerial and financial accounting, and to a
lesser degree, tax, systems and auditing. In addition, it incorporates other legal, ethical and management issues. Students are placed in the role of consultants to MPI, a Pacific Northwest manufacturer of "environmentally friendly" paints and stains. The consultants' initial task is to determine which of several potential options for mitigating the contamination should be pursued. This part of the case can be framed as a capital budgeting decision with the usual (if somewhat complicated) set of issues, including identification of relevant cash flows, tax implications, and uncertainties. Also intertwined among these options are a number of ethical, risk, and public relations issues that cannot be resolved quantitatively. Depending on the option(s) recommended, a number of accounting and disclosure issues are addressed in Part 2.

Nouveau Windows LTD.

Stuart McChlery
Volume 3, Number 2, pp. 67-79

Abstract: This case concerns an entrepreneurial situation affecting two men who are considering going into business together. The following questions and issues should be addressed in the discussion of the case: the steps the partners should undertake before leaving their present employments and setting up in business; the best way of pricing out the product (window insulation) given that the windows of different clients will differ in size; the cost for insulating; a business plan for the partnership for the first year showing clearly a monthly cash flow forecast, a projected monthly profit budget and a projected balance sheet at the year end; an accounting system which will meet the requirements listed above by the partner and also any other needs that you consider necessary to the efficient running of the business. This case suits an intermediate level course in managerial accounting but requires significant financial accounting knowledge as well.

The Paper Company

Andrews Oppong
Volume 3, Number 2, pp. 80-88

Abstract: This case is about the internal reporting and control system of The Paper Company (PC), a manufacturer and distributor of paper products. PC operates in a developing country and is also a large player in that market. Its reporting and control system can be considered as simple and traditional. PC's environment has some unique features that affect its operations and control system. The features include severe shortage of foreign currency and abundance of cheap labor. The case is not intended to be an exercise in international accounting. The case requirements allow students to develop different but related types of skills: interpretive, analytical, diagnostic, judgmental, and evaluative. In addition, the case gets students to apply a number of familiar but important accounting concepts including standard costing variance analysis, profit variance analysis, flexible budgets, cash flow statements, segmented reporting, contribution margin reporting, bonus system and ratio analysis. Students must be made aware that comparing actual performance with budget is still an important managerial activity even in the new manufacturing environment. To the extent that managers in the new manufacturing environment engage in profit planning and control, they will continue to find some of the traditional tools (for example, profit variance analysis) useful. The case is appropriate for an intermediate course in managerial accounting.

Rawhide Development Company

Bill Doolin and Deryl Northcott
Abstract: This is a fictional case. Information used was taken from the public domain and, where appropriate, verified with a representative in the New Zealand leather industry. Capital investment (CI) decisions are among the most important that organizations make, yet, typically, education in CI decision making has a narrow focus on the mechanical application of analytical techniques. This case aims to address some of the inconsistencies between the classroom CI decision environment, and the organizational environment for which we are preparing our students. This case provides scope for multiple learning objectives, each reflecting aspects of CI decision making in practice: education in the competent use of CI analysis techniques and an appreciation of the theoretical underpinnings of these techniques; experience of the uncertainties implicit in CI projects, techniques for dealing with uncertainty and an awareness of the growing significance of environmental and social concerns in many CI decisions; experience of group decision making, coordination and dynamics; the practical application of computer spreadsheet tools to financial analysis. This case can be applied to a range of student levels and classroom contexts by varying the elements that are introduced.

The Snow Removal Tender

Sean Hennessey

Volume 3, Number 2, pp. 132-138

Abstract: Frank Clancy, owner and President of FHC & Sons Construction Ltd. of Milford, New Brunswick, considered submitting a bid on a tender call by the City of Milford for the snow removal service the City provided but now considered contracting out to a private company. The teaching objectives include: demonstrating a capital budgeting under risk decision using various methods to account for risk; examining a capital budgeting decision when various purchase and cost options are possible; demonstrating the method a firm may use when determining a bid amount based on costs over various time periods.

United Bakery Products: South Yorkshire

Trevor Hassall and Sarah Lewis

Volume 3, Number 2, pp. 148-152

Abstract: This case concerns a decision that the participants have to make that is primarily ethical or moral. The environment, particularly the management control system (comprising a budgetary control system), and the highly competitive nature of the industry in which the organization operates will inevitably exert pressure on the participants' decision making framework. The objective is to facilitate exposure to an ethical dilemma in a realistic situation. There is no right answer to this type of case study. The question that participants may have to reconcile is to what extent circumstances may influence their moral perspective. There are two possible approaches to this case. It can be used as a vehicle for group discussion or it can be used in small groups with participants role playing the identified management personnel.

Carey-Galt Manufacturing, Inc.

Richard Fern

Volume 3, Number 1, pp. 8-16

Abstract: The case addresses the following issues regarding an acquisition: the feasibility of the
acquisition; the risks and rewards to the parties involved; the fairness of the selling price offered; the
buyers' potential to adequately finance the purchase; and Carey Galt's going concern potential under the
new owners. This case requires basic accounting knowledge and an understanding of valuation; it is
suited to an intermediate or senior-level course.

Express Transport
Karen Donega, Renato Barbon, and Tony Dimnik
Volume 3, Number 1, pp. 20-25

Abstract: In 1975 Phil Sims founded a trucking company called Express Transport. In 1985, Ranier
Corporation, a large consumer good wholesaler, acquired Express. Phil Sims ran the company until
1990, when he left abruptly. The new Express President, Tom Dent, was a Rainier appointee. Tom faced
a number of problems: an inappropriate performance measurement and reward system, a management
team dependent on Phil Sims, an implicit strategy that was incongruent with Ranier's objectives, and a
changing business environment. This case suits an intermediate or senior level course in managerial
accounting.

The Hudson's Bay Fur Trading Company
Gary Spraakman
Volume 3, Number 1, pp. 26-32

Abstract: This case tests the skill of students with the following management accounting techniques:
budgeting, performance information, pricing, responsibility accounting, standard costs, and strategy. It
also provides students with historical insight into accounting, and a means of assessing the progress of
management accounting. The case is suited to introductory or intermediate level courses in managerial
accounting.

Halcyon Hollow Golf Course
Nasrollah Ahadiat and Lamont F. Steedle
Volume 3, Number 1, pp. 33-39

Abstract: This case is a rather elegant capital budgeting problem that suits an intermediate or advanced
managerial accounting class. There is sufficient information to consider quantitative and non quantitative
issues. While the case is relatively narrow in focus, there is considerable material for discussion and
analysis.

LT Bicycle Helmets, Inc.
Jon A. Goodwin, Hugh D. Grove and Thomas J. Cook
Volume 3, Number 1, pp. 40-55

Abstract: LT Helmets, a privately held company, has been growing very rapidly during the last three
years, with sales quadrupling and profits nearly doubling. Tom Scollard, the founder, has taken a number
of steps to ensure that the company will continue to grow. LT Helmets faces several unresolved issues
that must be dealt with if the company is to succeed. First, and most important, the company does not have an adequate internal reporting system. Second, the cost accounting system is very inadequate. Another key issue is how much additional funding LT will need for the upcoming year. This case has been used in beginning managerial accounting courses for Executive MBAs and in advanced managerial accounting courses for both regular MBAs and Master of Accountancy students. It also has several important lessons for finance students and can be used in the financial planning or banking sections of either undergraduate or MBA level finance courses.

Naturalville
Sid R. Ewer
Volume 3, Number 1, pp. 56-61

Abstract: The case concerns a municipality that has grown rapidly and without much control. A new administration has suggested some changes and was elected on a platform that includes tax reductions/refunds. The following case requirements are suggested for analysis: the financial control system; relief of traffic flow proposal; tax refund/fund balance analysis. The case suits a managerial accounting course or a public sector accounting course; some background in fund accounting would be useful.

High Flying Leverage: The Case of Provincetown--Boston Airline
William D. Samson and Michael T. Dugan
Volume 3, Number 1, pp. 62-75

Abstract: This case is designed to accomplish several learning objectives. First, students are required to consider how the financial statements would look if different accounting methods and assumptions were used. In the PBA case, there is extreme financial sensitivity to slight changes in these methods and assumptions. Second, this case seeks to illustrate the concepts of operating and financial leverage, and the effects of these two types of leverage on the financial statements. Again, PBA represents an extreme with large degrees of both operating and financial leverage. Third, the case is designed to enhance understanding of financial relationships and the application of financial ratios in assessing profitability and risk. Last, the PBA case offers students the opportunity to analyze a company prior to its financial demise to see if bankruptcy risk could be predicted from financial statement information. This case is an advanced level case that integrates a number of accounting issues; it is suited to senior undergraduate or graduate level courses.

PlastiCo
Michelle McKinnon and Irene Herremans
Volume 3, Number 1, pp. 76-90

Abstract: The following issues are significant parts of this case: problems associated with running a small business; problems associated with the recycling industry; information helpful in determining profit planning and control, especially that associated with strategy; ethical dilemmas that arise in a free market system; assessment of alternatives associated with industry restructuring; benefits of maintaining a stable workforce; the difficulties of changing attitudes or suggesting different procedures; the cost of quality and its relationship to profitability along with the difficulties encountered in implementing a quality program. The case is designed to give students the opportunity to prepare
calculations involving break even analysis in a multi product firm and a cost of quality report. The case can also be used in a role playing exercise, especially in demonstrating effective or ineffective communication of management accounting analysis and recommendations. This case would suit an intermediate or senior level managerial accounting course, preferably at graduate level.

The Case of the Pretty Messed Up Restaurants

Elizabeth Anne Dugan
Volume 3, Number 1, pp. 91-98

Abstract: The following issues are relevant to the discussion: the daily breakeven point for a new restaurant; the loan amount required; a yearly cash budget for the new place for the first two years; computation of suggested ratios and comparison to bank standards; eligibility for loan consideration. Student access to a computer and a spreadsheet program will greatly aid in their number crunching. The main question in this case is whether or not Linda should purchase this establishment. The case is suitable for an introductory level accounting course, probably in the second semester of accounting.

The Publishing Mogul

Irene M. Gordon
Volume 3, Number 1, pp. 99-106

Abstract: This case allows students the opportunity to provide a projected cash-flow budget and to use those projections to make a business related decision. This case is based on a real situation involving a desktop publishing company. An instructor using this case should be willing to listen to those who may be more entrepreneurial in their outlook. These entrepreneurs may argue that Linda and David had little to lose, had an opportunity that might not exist in a few months (i.e., rent free downtown premises), and only by growing would they be able to increase their revenues and equity. While this case is concerned with a small business and its cash-flow projections, there are several other related accounting and entrepreneurial issues that may be addressed. If the discussion time for this case is limited, then the instructor may wish to provide guidance as to which issues students are expected to cover. Depending on the emphasis the instructor wishes to place on the discussion points, this case could be used in two different parts of the accounting curriculum. First, it could be used in the managerial sequence where an instructor wants students to examine cash flow projections for a service company. Secondly, this case might be used at the point in the curriculum where financial statement analysis is undertaken.

When Push Comes to Shove: The Case of RJR'S Costly Addiction

William Samson and Thomas Albright
Volume 3, Number 1, pp. 107-115

Abstract: This case attempts to put students into a new manager's position where a counter productive sales practice is occurring. Students see the problems caused by the practice and have to weigh the costs and benefits of continuing the practice versus making a change. In addition, the case focuses on the accounting issues surrounding the practice and raises issues of adequacy of disclosure. While most accounting problems require number crunching, which we feel may obscure fundamental issues, this case is deliberately devoid of tedious calculations in order to focus student attention on the central issues. This case, developed from stories in the financial press about a problem that R.J. Reynolds Tobacco encountered, injects realism into the classroom. The case requires students to see problems of
a sales practice from several perspectives such as those of the CEO, the CPA, the plant manager, and
the investor. Ethical considerations and auditing aspects are integrated along with financial and
managerial accounting issues in the case. The case suits advanced level undergraduate or graduate
level students with considerable accounting background.

Rainbow Machine Works Inc.
Darshan L. Wadhwa and Khursheed Omer
Volume 3, Number 1, pp. 123-135

Abstract: The objective of this case is to expose accounting students to the valuation of closely held
corporations. The subject of valuation is not extensively treated in standard accounting texts. This case
is designed to provide an opportunity to the instructors to go beyond the scope of textbooks, and bring
home to the students some practical applications of accounting using the methodology that practitioners
utilize in the field. Professional accountancy programs are the main targets of this case. However, the
case can fit in a variety of regular graduate courses in the discipline of accounting, such as managerial
accounting (illustrating use of accounting information for different purposes), intermediate accounting (as
an extension of discussion on goodwill valuation), and financial analysis. The case can either be
assigned as a group take home project or as a solo assignment to the class.

Cliptown Lumber and Hardware Company
Roderick S. Barclay and Linda M. Barclay
Volume 3, Number 1, pp. 15-26

Abstract: This case is based on judgment, analysis, and critical thinking and the concept that
accounting data provides the basis for arguably the most critical information system a business
possesses. The requirements of this case have been designed and written so that the case can be
assigned to any of several levels of accounting education. Depending on the accounting knowledge and
other business classes required of your students, you can mix, match and modify the requirements to fit
student capabilities and the degree of emphasis you wish to place on the case. It can be made simple
and straightforward, or complex and comprehensive. The instructor assigning this case may wish to
consider imposing the additional requirement to prepare a Statement of Cash Flows. The case, in its
complete form, would be applicable in accounting information systems or management control systems
class at either the graduate or advanced undergraduate level. This approach allows more than financial
accounting standards to be included in the potential solutions and ensuing discussions. There are
potential areas of concern that would likely be recognized by the students only after classes in auditing,
management, information systems and/or organizational behavior.

Crown International Case
Hugh Grove and Murray Young
Volume 3, Number 1, 36-47

Abstract: This case involves a Total Quality Management (TQM) focus and assessment including
continuous improvement analysis, product line analysis with ABC, identifying key production and market
research problems, net present value analysis, shareholder value analysis (SVA), and the use of the
Baldridge and Deming quality analysis frameworks. Student spreadsheet solutions (disk and hard copy)
are available from the authors. These spreadsheet models are helpful for the analysis of alternative
assumptions made by students. The case is a complex, advanced management accounting case suited to graduate level students, and possibly advanced level undergraduate students. Instructors may find it beneficial to limit the discussion to some of the issues raised in the case rather than all of them, depending on the time (number of class periods) that they wish to devote to the case. The case may be suitable as a project type assignment.

The Law Shop

Neil Campbell
Volume 3, Number 1, pp. 63-77

Abstract: The primary purpose of the case is to involve students in the design of an entire management control system for a particular firm. Two themes are apparent throughout this process: the complex interdependencies which exist between individual elements of a management control system; and the need to tailor such systems to the nature of the industry, the firm's strategy and its organizational structure. Two other optional objectives can be pursued as a consequence of the consultant's mandate to "suggest any additions or changes" to the business plan before it is presented to the board of directors: provide a capital budgeting analysis for a reasonably complex business start up; and the ethical issue for the consultant regarding the scope of work to be undertaken for the client. This case was designed for use in an advanced management accounting or management control systems course. It has sufficient breadth to provide an excellent overview case on control systems at the outset of such a course, although the depth of analysis forthcoming from students may be limited; if it is taught near the end of the course, more effective analysis may be forthcoming.

Participative Living, Inc.

Mary Heisz
Volume 3, Number 1, pp. 87-91

Abstract: The primary objectives of the case include: budgeting and reporting in a not for profit setting; strategic use of information to aid in control; highlighting the differences and similarities regarding budgeting, reporting and control between not for profit organizations and profit oriented businesses; and difficulties associated with budgeting and reporting in start up and growth phases. The case is suited to not for profit accounting courses, advanced managerial accounting courses, or some combination of the two; background knowledge in managerial and financial accounting, and a limited knowledge of the not for profit sector would be advisable.

Halterm

Peter Secord
Karin Myklebust
Volume 2, Number 2, pp. 21-26

Abstract: This case may be used in several different contexts; on one level, it is a straightforward capital budgeting case, designed to assist students in evaluating a capital budgeting decision. There are a number of qualitative factors that must be considered. Several variables involve considerable uncertainty and easily invoke discussion of the risk associated with any future oriented estimate, and the appropriate response to risk as a part of the capital budgeting process.
Johabina Construction
June M.L. Poon and Tie Lim Sung
Volume 2, Number 2, pp. 35-44

Abstract: This case presents a construction company that was having serious cash flow problems and losing money on most of its projects. The financial controller of the company was given the task of coming up with a survival plan for the company. Background information on the construction industry in Malaysia is provided to help students understand some of the peculiarities of the construction business.

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Stanford University (A) and (B)
Ratna Sarkar and Steven Huddart
Volume 2, Number 2, pp. 45-60

Abstract: The case introduces students to procurement and audit from several perspectives including the regulator, the purchaser, and individuals within the supplier organization. The determination of costs under procurement regulations and contracts receives special attention. Principal issues for discussion are: (i) the costs and benefits of various forms of procurement contracts; (ii) the effect of the cost allocation scheme on the incentives faced by individuals within Stanford University and the government; and (iii) the role of auditors and audited cost information in the procurement process. The case also raises certain ethical and political issues.

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Pet Salvage Shop
Alf Eastergard and Bruce Busta
Volume 2, Number 2, pp. 61-64

Abstract: This case demonstrates how accounting information can influence, rather than just inform, those within the enterprise; demonstrates how accounting based performance evaluation system can encourage behaviors that benefit an individual performance evaluation, but are sub optimal for the firm as a whole; illustrates how accounting allocations are inherently arbitrary; and shows the importance of promptly providing for liabilities.

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KJ Enterprises
Mary Reynolds
Volume 2, Number 2, pp. 65-69

Abstract: This case is an example of what happens in "real life", the life that exists outside of textbooks. It incorporates elements of both financial and managerial accounting.

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Mancunian Joint Stock Bank
Sonja Gallhofer and Jim Haslam
Volume 2, Number 2, pp. 70-77
**Abstract:** The case has several objectives: to deepen appreciation of accounting theory; to examine the conventional distinction between managerial and financial accounting; to show how external accounts can be understood as a regulatory mechanism from the perspective of the managerial task of an organization; to deepen appreciation of developments in accounting theory and increase awareness of fuzziness in the distinction between management and financial accounting; to raise ethical or politico ethical issues; to encourage the exploration of further parallels between financial and management accounting systems; to question contemporary accounting practices.

**Peter Pain's Piracy Problem**

Peter Secord and Karin Myklebust
Volume 2, Number 2, pp. 85-89

**Abstract:** This case illustrates a number of issues faced by management, accountants, and others affected by the act of software theft. These issues include the basic concepts of theft and private property, the copyright laws, the doctrine of employment at will, and the value of internal control systems.

**Nufarm**

Ray Anderson and Kathy Gibson
Volume 2, Number 2, pp. 90-96

**Abstract:** This case is suited to an accounting course that discusses environmental issues. Issues include: why it is desirable that companies should report/disclose items of a social nature, e.g. environmental performance; the impact on the valuation of both Nufarm and Fernz; the fact that the share price of Fernz was unaffected by the Nufarm incident; the company's accounting treatment of the dispute; the expenses of the dispute; the major factors affecting operating results as a consequence of the Greenpeace action; the factors that might have been responsible for the weak performance in 1991 and appropriate corrective actions; reasons for emphasis on the domestic market in preference to export customers; the environmental audit and the benefits to a company of performing such an audit.

**St. David's Hotel**

Philip Moon
Volume 2, Number 1, pp. 25-37

**Abstract:** This case study uses financial data from a medium sized hotel to simulate a multi-period management control procedure within the service sector. It emphasizes the use of budgets for control rather than their use for planning and coordinating resource requirements and motivating employees. An additional objective of the case is to develop participants' skills in searching for relevant information.

**Manny's Video**

Eldon Gardner
Volume 2, Number 1, pp. 38-46
**Abstract:** This case is a discussion of issues surrounding the operation of a video rental business and the results six months after the purchase of new premises. A number of accounting and control problems exist, as well as a family conflict caused by the decision to purchase the new facilities. The financial difficulties brought on by the purchase are developed, but consideration must also be given to long term survival strategy because of increasing competition from chain stores in the video rental business.

**Frank's Confectionary**

Peter Clarke  
Volume 2, Number 1, pp. 55-57

**Abstract:** This case illustrates that the apportionment of costs to cost centers can cause incorrect decisions to be made. Frequently, in the context of managerial accounting one must revise financial accounting data to make it suitable for decision-making. Moreover, in decision making one must appreciate and try to incorporate the effects of uncertainty.

**Stroudsburg Sporting Goods**

James Borden and Wayne Bremser  
Volume 2, Number 1, pp. 64-71

**Abstract:** This case presents corporate strategy issues related to a new (potentially breakthrough) product on both Stroudsburg Sporting Goods (SSG) and its subsidiary Exercise Research Labs (ERL). The case provides some information about the relative market possibilities of having SSG as the exclusive manufacturer/distributor versus making the new product, ENDUR, available to all interested parties. The case requires students to calculate a transfer price. There are some ethical issues in this case that need to be considered. There are also management control issues.

**Light Engineering Works (A) and (B)**

Wasif Khan  
Volume 2, Number 1, pp. 84-88

**Abstract:** The case deals with the basic concept of break-even or profitability analysis. The case is set in a third world country with many location specific issues, and the case highlights the small business owner/manager's situation in many developed countries as well.

**Jacobs' Farm**

Robert Gruber  
Volume 2, Number 1, pp. 89-92

**Abstract:** This case is straightforward present value analysis under conditions of uncertainty. The cost of capital is calculated to incorporate this uncertainty, but the cash flows are analyzed for three different risk situations.
Servex Telephone Corporation

Nas Ahadiat
Volume 2, Number 1, pp. 93-104

Abstract: This case analyzes an investment decision involving cable television service in a multi state environment. There are non quantitative factors involved in the discussion as well as PERT analysis.

Scaling System Company

Stephane Bois
Volume 1, Number 3, pp. 12-18

Abstract: This case examines the importance of management accounting and its role in the decision making process of an enterprise. The marginal contribution of each department, redistribution of general costs, salaries distribution, transfer price analysis and R&D are issues that are raised.

Kelley Enterprises

David J. Sharp
Volume 1, Number 3, pp. 19-23

Abstract: The case raises issues of overhead cost allocation and pricing decisions, discontinuation of a product line, and the unique strategy problems of the small business--especially craft based ones--relating to the conflict between the entrepreneur owner's personal (e.g. quality of life) objectives and the business objective of making money.

Community Child Care Inc.

Teresa P. Gordon
Volume 1, Number 3, pp. 24-40

Abstract: This case is based on a composite of several actual nonprofit childcare providers. The following points are raised: indirect cost rate, variable revenue versus fixed revenue, fixed costs, variable costs, and cost accounting.

Cakes by Odette

John KARBENS and Michele L. Wingate
Volume 1, Number 3, pp. 41-47

Abstract: This case is dedicated to the application of internal control systems to small, family-owned businesses. In small businesses, there are usually too few people to carry out the objective of segregation of duties to its fullest extent. How does a small business allow its system of internal accounting controls to grow as it does?
Coburn Optical Industries

Thomas M. Carment and David McMillan
Volume 1, Number 3, pp. 59-61

**Abstract:** The first problem in the case concerns a self-educated entrepreneur who did not understand the role of managerial accounting and viewed it with skepticism. This case concerns the nature of the monitoring process and managerial accounting's role. The second problem involves a wholly owned subsidiary that perceives the need to adapt to change, improve quality and financial performance.

McGill Gardeners

Peter Secord
Volume 1, Number 3, pp. 62-64

**Abstract:** This case introduces the student to differential accounting and is for use early in the first management accounting course; it can also be used effectively at later stages. Specific issues include the distinction between full costs and marginal, relevant costs; opportunity cost; pricing; treatment of owner's draw as a cost; risk associated with cost estimates.

The Case of the Sickly Hospital

Michael Rayburn and L. Gayle Rayburn
Volume 1, Number 3, pp. 83-96

**Abstract:** This real life multi dimensional case can be approached from several functional areas. It can be studied from a control/reporting accounting view; from a financial view; or from an organizational management view. The overall objectives are: to expose students to accounting control/reporting, financial, and organizational problem situations facing a small hospital and how that organization responded; to allow students to make decisions and recommendations when full information is not available; to indicate how quickly management, financial conditions, and the operating environment of a small hospital can change and the organizational consequences when these conditions were not anticipated or planned by top management; and to allow students to study and develop solutions for real world problems.

The Algoma Steel Corporation

George Gekas
Volume 1, Number 3, pp. 97-114

**Abstract:** This case is an examination of the Dofasco acquisition of Algoma Steel and the results of the decision. It includes: an evaluation of Dofasco's management decision to acquire ASC in 1988; the maximum price to pay to acquire ASC in 1988; the maximum price to pay after Algoma obtained protection under the Company's Creditors Arrangements Act; how Algoma reached the point of requiring protection from its creditors; the causes of Algoma's losses in the late 1980s; the impact that cash flow from operations had on Algoma's capital expenditures and accumulation of debt; early prediction of Algoma's inability to pay its creditors; what bankruptcy indicators to use.