

MANAGERIAL ACCOUNTING



**THIRD
EDITION**

Raiborn • Barfield • Kinney



MANAGERIAL ACCOUNTING

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Accounting is often referred to as the “language of business.” However, managers must be able to communicate their information needs to accountants and understand the resulting answers. This text provides a context for dialogue among all the business disciplines and emphasizes the practical rather than the theoretical. Thus, it stresses the techniques and procedures of greatest managerial importance. The perspective taken by *Managerial Accounting* is that managers and accountants must have a common understanding of the organizational role of accounting information, what techniques are available to provide that information, what details are needed to perform the techniques, and the benefits and limitations of the information provided by the various techniques in response to managers’ needs. An integrated approach to information flow will create an atmosphere of trust, sharing, and cooperation.

We believe that it is critical for readers to understand that accounting is a cross-functional discipline that provides information useful to all management areas. It is also essential that readers recognize that managerial accounting information is necessary in all types of organizations (manufacturing, service, and not-for-profit), regardless of size. Substantial effort has been taken to illustrate all of these enterprise types, in both domestic and international operations. Rapid changes in the global business environment, such as the introduction in previously communist countries of profit-making operations, will create new demands for management information, and this information will be prepared in the international language of business: accounting.



AUDIENCE

This text is primarily directed toward students who have a basic familiarity with the informational content of financial statements. It may be used in a course under either the semester or the quarter system.



PEDAGOGY

This text is extremely student-oriented. The following text features have been designed to promote an ease of learning and provide a high interest level.

Learning Objectives Each chapter provides an orderly framework for the material to be covered. Margin annotations indicate the text coverage of the learning objectives. (See pages 2 and 6 for examples.)

On-Site Openers Each chapter begins with a vignette about a relevant aspect of a real-world organization. These openers show students how the chapter topics affect a business on a daily basis. The On-Sites feature organizations such as Coca-Cola, Exxon, Alaska Airlines, Risky’s Barbeque, Archway Cookies, Crowley Candy Co., American Apparel, and many more. (See pages 3, 39, and 75 for examples.)

News Notes News Notes in the chapters provide selections from the popular business press and reflect the contemporary world of business activity. Four themes (general business, international, quality, and ethics) are used in the News Notes to illustrate how managerial accounting concepts affect various aspects of business. Logos are used to inform the reader of the News Note theme. There are over sixty references to organizations such as the Meridian Club, Toyota, Group Health Cooperative, Employment Canada, Terex Corp., Reebok, and Gelco Information Network. (See pages 14, 46, 52, and 80 for examples.)

Key Terms When a new term is introduced within a chapter, it is listed in boldface type, indicated in a margin annotation, and defined at that point. All key terms in each chapter are presented at the end of the chapter with page references for the definition. Additionally, a complete end-of-text glossary is provided.

NEW! Internet Links Web site addresses for many real-world companies are listed in the margins throughout the text. (See pages 22, 53, and 84 for examples.)

Site Analysis This chapter section continues discussion of the On-Site company's reaction to, or resolution of, the opening topic. (See pages 28, 63, and 99 for examples.)

Cross-Functional Applications These strategies, written by Noel McKeon of Florida Community College—Jacksonville, follow the Site Analysis section and indicate how some tools presented in the chapter are applicable to business disciplines such as economics, finance, human resources, management, and marketing as well as to nonbusiness disciplines such as engineering, law, operations research, and public administration. For example, the applications in the chapter on capital budgeting indicate that capital budgets assist economists in planning an optimum production function, help financial managers analyze and predict profitability and cash flows, and aid attorneys in lease agreement negotiations. (See pages 28, 63, and 100 for examples.)

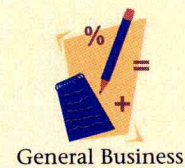
Chapter Summary A summary of the most important concepts in each chapter is provided to promote student retention. (See pages 29, 64, and 101 for examples.)

Solution Strategies In this section, students are provided with all relevant formulas and major computational formats from the chapter. These strategies may be used as guides to work end-of-chapter materials or to refresh the memory. (See pages 151 and 205 for examples.)

Demonstration Problem At the end of appropriate chapters, a demonstration problem and solution are given so that students can check their understanding of chapter computations before doing end-of-chapter assignments. (See page 205 for an example.)

End-of-Chapter Materials Each chapter contains a variety of end-of-chapter materials (at different levels of difficulty) that include questions, exercises, problems, cases, and quality and ethics discussions. Some of the end-of-chapter materials are specifically designed to provide the opportunity for students to utilize their writing skills and/or emphasize the needs of different individuals in an organization (for instance, the marketing manager, finance officer, production supervisor, or human resource manager). Many of the ethics and quality discussions are taken from the popular business press and relate to actual business situations. Some of these discussion questions provide a current reference to an article that could help in answering the question or provide greater information about a situation.

The ethics and quality items provide the dual benefit of indicating that choices are important to an organization's current and future existence as well as providing an additional avenue for written expression and logical thought.



General Business



International



Quality



Ethics



Numerical end-of-chapter materials that are computer-solvable are indicated with a spreadsheet icon.

End-of-Text Appendices Appendix A provides a discussion of the management accounting profession and codes of ethics for the Institute of Management Accountants (U.S.) and the Society of Management Accountants of Ontario (Canada). Appendix B is a brief overview of the various ethical theories to help students analyze ethics situations and answer the chapter ethics discussion questions. Appendix C provides present and future value tables of \$1 and an ordinary annuity of \$1.

Glossary An end-of-text glossary is provided that includes all of the key terms in the text and their definitions.



MAJOR CHANGES IN THIRD EDITION

Although the prior editions of this text were very well received, the authors gathered comments from adopters and reviewers and made numerous changes to increase its teachability and student orientation. In addition, the Accounting Education Change Commission has been instrumental in providing guidance on improving and adding to the text's pedagogical features. The AECC has indicated that it is essential for students in accounting courses to possess strong communication, intellectual, and interpersonal skills as well as to understand ethics and make value-based judgments. Thus, to encourage students to improve their communication and intellectual skills, we have expanded the quantity of essay and logic problems in end-of-chapter materials, student study guide, and test bank. To improve the process of analyzing and making ethical decisions and value-based judgments, we have included more real-world discussion questions in the end-of-chapter materials. Additionally, to promote interpersonal skills, we encourage the use of student teams in answering some of the more complex problems, cases, and discussion questions. Teamwork is essential in today's business environment because flattened organizational structures result in the empowerment of employee teams with the authority, responsibility, and accountability for making positive changes and rational decisions.

The organizational and pedagogical changes to the second edition are listed below. Changes in the supplements are provided in the appropriate Instructor and Student Support Materials sections.



ORGANIZATION

- ◉ Chapter 1 sets the stage for future chapters by focusing first on organizational strategy, influences on that strategy, and management functions. The chapter then addresses the global environment in which businesses operate. Tying these issues together, the chapter covers the role of accounting in organizational strategy and the influence of the value chain in an organization's existence. In summary, Chapter 1 is designed to help students understand the numerous forces that must be considered by businesspeople today and how those forces affect accounting and decision making. Some topics related to strategy that were covered in Chapter 10 of the second edition have been moved to this chapter.
- ◉ Chapter 2 provides an introduction to information, control, and cost management systems. Within the context of a cost management system, the

concepts of conversion, product and period costs, methods of product costing, and types of costing systems are discussed. This chapter allows students to understand the varying informational needs of managers and how those information attributes can be captured, analyzed, and utilized in an organization with a well-designed cost management system.

- ◉ Chapter 3 is a revision of Chapter 2 from the second edition. Quality in service and not-for-profit organizations is addressed, and, as an integrally related topic, calculation of the cost of quality (previously in Chapter 12) is also included in this chapter.
- ◉ Because both cost-volume-profit analysis and relevant costing involve short-run decisions and focus primarily on cost behavior, these topics have been combined into a new Chapter 6. Make-or-buy decisions have been moved to Chapter 13. Absorption/variable costing has been shortened and has been moved to become the first appendix to Chapter 6.
- ◉ In response to significant reviewer feedback, budgeting (Chapter 7) and capital budgeting (Chapter 8) have been moved closer to the front of the text and placed together. Chapter 7 now contains information on the necessity of participation in the budgeting process, and an appendix to this chapter provides the computations for sales price and sales volume variances; all of these topics were in the second edition's Chapter 10.
- ◉ Chapters 9 and 10 are, respectively, the chapters on standard and process costing.
- ◉ The two chapters on cost control are now Chapter 11 (inventory and production) and Chapter 12 (non-inventory items).
- ◉ Chapter 13 is a new chapter that focuses on controlling costs in a changing workplace. Topics are high-profile, real-world issues such as process reengineering, downsizing, workforce diversity, outsourcing, strategic alliances, and open-book management.
- ◉ Chapter 14 corresponds to Chapter 15 in the second edition and covers decentralized operations, including transfer pricing. Chapter 15 corresponds to Chapter 16 in the second edition and covers the processes of measuring and rewarding performance.

PEDAGOGY

- ◉ The theme of each opening vignette is carried through the chapter using a fictitious company within a related industry. Because of the need to maintain confidentiality of proprietary information, the On-Site company's actual data are not used, but example data are reflective of reality.
- ◉ The end-of-chapter materials include discussion questions on both ethics and quality. As mentioned earlier, many of these questions address actual business situations. The quality discussion questions focus on the impacts of introducing (or choosing not to introduce) quality techniques on company costs, employee and customer behavior, and production/service processes.
- ◉ Journal entries are, in many places, presented separately in chapter appendices. This placement allows faculty to include or exclude this accounting process information without interrupting the flow of the chapters.
- ◉ Approximately 25 percent of the end-of-chapter material is new, and there are typically at least two exercises for each key concept in the chapter. Many of the end-of-chapter items ask the student to act as if he or she had a particular position in the firm in question to promote analysis and discussion from alternative perspectives.



INSTRUCTOR SUPPORT MATERIALS

The text is accompanied by a full range of support materials for the instructor.

Solutions Manual This volume, prepared by the authors, has been independently reviewed and checked for accuracy. It contains complete solutions to each question, exercise, problem, and case in the text. This volume also contains a copy of the Student Check Figures.

Solution Transparency Acetates Acetates are provided from the solutions manual for all numerical end-of-chapter materials.

Test Bank The test bank (prepared by Chandra Schorg at Texas Woman's University) contains over one thousand multiple-choice, short exercise, and short discussion questions with related solutions.

Computerized Test Bank A computerized version of the test bank includes edit and word-processing features that allow test customization through the addition, deletion, and scrambling of test selections.

Instructor's Manual This manual (developed by Gregory K. Lowry of Macon Technical Institute and Athens Area Technical Institute) contains sample syllabi, a listing of chapter learning objectives and terminology, chapter lecture outlines, and some CMA exam multiple-choice questions for use as additional test materials or for quizzes. In addition to the inclusion of transparency masters for some of the text exhibits, the manual provides several teaching transparencies for items of interest that are not part of the text proper.

PowerPoint Teaching Transparency Slides PowerPoint files (prepared by Marvin Bouillon of Iowa State University) are available on disk and provide entertaining and informative graphics and text for full-color, electronic presentations.

Videos This text is accompanied by a wide selection of videos that illustrate text concepts. Several of the tapes produced by the Association for Manufacturing Excellence (AME) are available to qualified adopters. These tapes feature companies such as Hewlett-Packard, Motorola, Spectra-Physics, Whirlpool, Northern Telecom, and Oregon Cutting Systems. These videos illustrate automated processes, just-in-time/total quality management philosophies, manufacturing excellence at small and mid-sized companies, global business strategies, and teamwork skills. Short videos are also available that feature some companies that have been designated "Blue Chip Enterprises." This program for small businesses is sponsored by Connecticut Mutual Life Insurance Company, the U.S. Chamber of Commerce, and *Nation's Business* magazine. A third series of videos, *BusinessLink*, illustrates key management accounting concepts including activity-based costing, product costing, and total quality management. These videos feature companies such as Archway Cookies, World Gym, and Symbios Logic. A student workbook and instructor's manual are available to accompany these videos.

Video Guide A video guide prepared by the authors provides a brief overview of each segment, indicates segment length, discusses each segment's key points, and provides some questions for classroom discussion about each segment.

NEW! Web Resources This text's supporting Web site at raiborn.swcollege.com provides downloadable versions of key instructor supplements, as well as an on-line

study guide, selected readings, and virtual tours. As an adopter; you will also receive a complimentary subscription to Thomson Investors Network, a powerful business news and financial informational resource. For a preview, visit www.thomsoninvest.net.



STUDENT SUPPORT MATERIALS

Students are also provided with a comprehensive support package to enhance their learning experience.

Study Guide The student study guide (prepared by Alan Campbell, CPA) contains chapter learning objectives, chapter overviews, detailed chapter notes, and self-test questions.

Spreadsheet Applications for Managerial Accounting Prepared by Leslie Turner of Northern Kentucky University, this package allows students to use either Excel® or Lotus 1-2-3® to solve many in-text problems (which have been indicated with a computer disk icon).

Practice Sets Two practice sets are available for the text.

- ◉ **Pennsylvania Containers: An Activity-Based Costing Case**, developed by Bob Needham of Bucknell University, illustrates activity-based costing using a manufacturing company that produces garbage dumpsters and customized trash receptacles. This practice set concentrates on determination of cost drivers and their use in assigning overhead costs to products. It can be used when teaching Chapter 5 (Activity-Based Management) or in conjunction with several chapters from the text to show the student the impact of activity-based costing on decision making. A solutions manual is available for instructors.
- ◉ **Pet Polygon Manufacturing Company** is an IBM-compatible computerized practice set that was written by L. Murphy Smith of Texas A&M University and Dana Forgione of The University of Baltimore. It provides students with the opportunity to develop a complete master budget and make managerial decisions. A solutions manual indicates how the practice set can be used in conjunction with the budgeting chapter (Chapter 7) or as a continuing problem for the entire term.

Student Solutions Manual This student supplement, prepared from the instructor's Solutions Manual, provides complete solutions to alternate end-of-chapter exercises and problems.

NEW! Financial Statement Analysis and Cash Flows Summary Booklet This valuable booklet supplements any managerial accounting course where additional review of financial statements and cash flows is desired. Developed as a stand-alone volume, it comes complete with end-of-chapter material.



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Cecily Raiborn
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CONTENTS IN BRIEF

Preface	xiv
PART 1 THE BUSINESS ENVIRONMENT	1
Chapter 1 Operating in a Global Business Environment	2
Chapter 2 Introduction to Cost Management Systems	38
Chapter 3 Operating in a Quality Environment	74
PART 2 THE BASICS OF MANAGERIAL ACCOUNTING	113
Chapter 4 Cost Terminology and Cost Flows	114
Chapter 5 Activity-Based Management	172
PART 3 USING MANAGERIAL ACCOUNTING INFORMATION FOR PLANNING	227
Chapter 6 Cost-Volume-Profit Analysis and Relevant Costing	228
Chapter 7 The Budget Process	280
Chapter 8 Capital Asset Selection and Capital Budgeting	340
PART 4 USING MANAGERIAL ACCOUNTING INFORMATION FOR PRODUCT COSTING	391
Chapter 9 Introduction to a Standard Cost System	392
Chapter 10 Process Costing	446
PART 5 USING MANAGERIAL ACCOUNTING INFORMATION FOR CONTROL	493
Chapter 11 Controlling Inventory and Production Costs	494
Chapter 12 Controlling Noninventory Costs	540
Chapter 13 Controlling Costs in the Changing Workplace	586
Chapter 14 Responsibility Accounting and Transfer Pricing in Decentralized Operations	630
Chapter 15 Measuring and Rewarding Performance	686
Appendix A: The Management Accounting Profession	735
Appendix B: Using the Ethics Discussion Questions	741
Appendix C: Present and Future Value Tables	745
Glossary	751
Author Index	763
Organization Index	765
Subject Index	767

CONTENTS

Preface	xiv
PART 1 THE BUSINESS ENVIRONMENT	1
Chapter 1 Operating in a Global Business Environment	2
ON SITE: The Coca-Cola Company	3
▪ ORGANIZATIONAL STRATEGY	4
▪ INFLUENCES ON ORGANIZATIONAL STRATEGY	6
Organizational Structure	6
Core Competencies	7
Organizational Constraints	8
NEWS NOTE: Intellectual Capital Reflects Organizational Roots	10
Management Style and Organizational Culture	11
Environmental Constraints	13
NEWS NOTE: Less Costs More??	14
▪ MANAGEMENT FUNCTIONS	15
▪ THE GLOBAL ENVIRONMENT OF BUSINESS	17
Trade Agreements	17
*Methods of Globalization	18
NEWS NOTE: Daewoo's Diverse Investments	19
Globalization Risks	19
Legal and Ethical Considerations	19
▪ ROLE OF ACCOUNTING IN ORGANIZATIONAL STRATEGY	22
NEWS NOTE: Bribery Is <i>Not</i> the Way to Win Business!	23
SITE ANALYSIS	28
Chapter 2 Introduction to Cost Management Systems	38
ON SITE: General Marble	39
▪ INTRODUCTION TO MANAGEMENT INFORMATION AND CONTROL SYSTEMS	40
▪ DEFINING A COST MANAGEMENT SYSTEM	42
▪ DESIGNING A COST MANAGEMENT SYSTEM	45
Integrating External and Internal Information Needs	45
NEWS NOTE: Healing a Sick Cost Management System	47
Product Costs and Period Costs	48
Costing Systems	51
Measurement Methods	51
Critical Factors in Designing a Cost Management System	52
NEWS NOTE: How to Measure Success	52
NEWS NOTE: Law Change Taxes Prior Decision	53
Integrating Operating and Competitive Environment with Strategies	54
NEWS NOTE: Toyota Drives Up Stakes in Auto Industry	56
▪ ELEMENTS OF A COST MANAGEMENT SYSTEM	57
Motivational Elements	58

Informational Elements	59
Reporting Elements	60
■ IMPLEMENTING A COST MANAGEMENT SYSTEM	61
SITE ANALYSIS	62
Chapter 3 Operating in a Quality Environment	74
ON SITE: Archway Cookies, Inc.	75
■ WHAT IS QUALITY?	77
■ THE DEMAND FOR QUALITY	78
Total Quality Management	78
Customer Focus	79
NEWS NOTE: TQM: Just What the Ethicist Ordered	80
Activity Analysis and Process Improvement	82
NEWS NOTE: This Process Is Mine!	82
Benchmarking	83
Quality Awards	85
NEWS NOTE: ISO 9000—It's Not Just for Europe!	86
Total Involvement	87
NEWS NOTE: Q-1 Preferred Quality Award	88
■ MEASURING THE COSTS OF QUALITY	88
■ ANALYZING QUALITY COST RELATIONSHIPS	91
■ OBTAINING INFORMATION FROM THE COST MANAGEMENT SYSTEM	95
■ INCREASED TECHNOLOGICAL ABILITIES	96
Information Systems	97
Electronic Data Interchange	97
Production Systems and Management	97
SITE ANALYSIS	99
PART 2 THE BASICS OF MANAGERIAL ACCOUNTING	113
Chapter 4 Cost Terminology and Cost Flows	114
ON SITE: Risky Barbeque	115
■ COMPONENTS OF PRODUCT COST	116
Direct Materials	117
Direct Labor	118
Factory Overhead	120
Prime and Conversion Costs	120
■ STAGES OF PRODUCTION	121
■ COST BEHAVIOR	122
NEWS NOTE: Change the Process—Change the Cost	123
Variable and Fixed Costs	123
NEWS NOTE: Lifetime Labor Contracts Makes Labor Costs Fixed	124
Mixed Costs	126
NEWS NOTE: Terex's Fortunes Improve after Tough Cost-Cutting	127
High-Low Method	129
■ PREPARING FLEXIBLE BUDGETS	131
■ DEVELOPING AND USING PREDETERMINED OVERHEAD RATES	133
Variable Overhead Rate	133
Fixed Overhead Rate	135

NEWS NOTE: Use of Practical Capacity Can Highlight Low Usage of Resources	136
▪ OVERHEAD APPLICATION	136
Underapplied and Overapplied Overhead	137
Disposition of Underapplied and Overapplied Overhead	137
▪ COMBINED OVERHEAD RATES	139
▪ ACCUMULATION OF PRODUCT COSTS	140
▪ COST OF GOODS MANUFACTURED AND SOLD	143
▪ ACCUMULATION OF PRODUCT COSTS IN A JOB ORDER COSTING SYSTEM	143
NEWS NOTE: Bar Coding: Not Just for Grocery Stores Anymore	145
SITE ANALYSIS	146
APPENDIX: Least-Squares Regression Analysis	148

Chapter 5 Activity-Based Management	172
ON SITE: Volkswagen Canada	173
▪ DEVELOPING PRODUCT/SERVICE COST INFORMATION	174
▪ ACTIVITY ANALYSIS	176
Activity-Based Management	177
Value-Added and Non-Value-Added Activities	178
Cycle Efficiency	180
NEWS NOTE: Activity Analysis Takes a Customer Focus	180
Cost Drivers	182
NEWS NOTE: Sometimes, You Can Have Too Much of a Good Thing	183
▪ ACTIVITY-BASED COSTING	183
Level of Cost Incurrence	184
Two-Step Allocation	189
Activity-Based Costing Illustrated	190
▪ DETERMINING WHETHER ABC IS APPROPRIATE	191
Product/Service Variety or Complexity	193
NEWS NOTE: How Do My Customers Want My Product?	195
Lack of Commonality in Overhead Costs	196
Problems in Current Cost Allocations	197
Changes in Business Environment	197
▪ OPERATIONAL AND STRATEGIC PLANNING AND CONTROL USING ABC	198
▪ CRITICISMS OF AND CONCLUSIONS ABOUT ABC	199
NEWS NOTE: Linking ABC Information to Competitive Strategy	199
SITE ANALYSIS	202

PART 3 USING MANAGERIAL ACCOUNTING INFORMATION FOR PLANNING

227

Chapter 6 Cost-Volume-Profit Analysis and Relevant Costing	228
ON SITE: Rogar International Corporation	229
▪ THE BREAKEVEN POINT	230
Basic Assumptions	230
Formula Approach	231
▪ CVP ANALYSIS	232
NEWS NOTE: BEP Helps Businesses Plan for Profits	233
Fixed Amount of Profit before Tax	233

Fixed Amount of Profit after Tax	234
Variable Amount of Profit before Tax	235
Variable Amount of Profit after Tax	235
▣ CVP ANALYSIS IN A MULTIPRODUCT ENVIRONMENT	237
NEWS NOTE: A Gunfighter with the Soul of a Management Accountant	239
▣ UNDERLYING ASSUMPTIONS OF CVP ANALYSIS	239
▣ COSTS AND QUALITY	241
▣ ANALYZING EFFECTS OF SHORT-RUN OPERATIONAL CHANGES	242
▣ THE CONCEPTS OF RELEVANCE AND RELEVANT COSTING	242
NEWS NOTE: Yankee Shoes in the Caribbean	244
▣ RELEVANT COSTS IN SCARCE RESOURCE DECISIONS	245
▣ RELEVANT COSTS IN SALES MIX AND SALES PRICE DECISIONS	247
Sales Price Changes and Relative Profitability of Products	247
Special Order Pricing	249
NEWS NOTE: Misjudgment Kills a Monument Company	250
Advertising Budget Changes	251
▣ RELEVANT COSTS IN PRODUCT LINE DECISIONS	251
SITE ANALYSIS	254
APPENDICES:	
1. Graphic Approaches to Breakeven Analysis	257
2. An Overview of Absorption and Variable Costing	259
3. Linear Programming	262
 Chapter 7 The Budget Process	 280
ON SITE: Penn Fuel Gas	281
▣ PURPOSES OF BUDGETING	283
▣ PARTICIPATION IN THE BUDGETING PROCESS	285
NEWS NOTE: Activity-Based Budgeting Focuses on Work, Not Costs	288
▣ THE BUDGETING PROCESS	288
▣ BUDGETING IN AN INTERNATIONAL BUSINESS	290
▣ THE MASTER BUDGET	291
NEWS NOTE: Budgeting Purposes Are Not the Same Worldwide	292
▣ THE MASTER BUDGET ILLUSTRATED	294
Sales Budget	295
Production Budget	296
Purchases Budget	296
Direct Labor Budget	298
Overhead Budget	298
Selling and Administrative (S&A) Budget	299
Capital Budget	299
Cash Budget	300
Budgeted Financial Statements	305
▣ CONCLUDING COMMENTS	308
NEWS NOTE: What Happens If . . . ?	309
SITE ANALYSIS	310
APPENDICES:	
1. Sales Price and Sales Volume Variances	313
2. Zero-Based Budgeting	314

Chapter 8	Capital Asset Selection and Capital Budgeting	340
ON-SITE:	Exxon Corporation	341
NEWS NOTE:	Advertising: Capital or Ordinary Expenditure?	343
□	THE INVESTMENT DECISION	343
	Is the Activity Worth the Required Investment?	343
	Which Assets Can Be Used for the Activity?	344
	Of the Suitable Assets, Which Are the Best Investments?	344
	Which of the "Best Investments" Should the Company Choose?	345
□	CASH FLOWS	346
□	PAYBACK PERIOD	349
□	DISCOUNTED CASH FLOW METHODS	350
	Net Present Value Method	350
	Profitability Index	352
	Internal Rate of Return	353
□	ASSUMPTIONS AND LIMITATIONS OF METHODS	355
□	THE EFFECTS OF TAXATION ON CASH FLOWS	355
	Illustration of After-Tax Cash Flows in Capital Budgeting	357
□	INVESTING TO MANAGE QUALITY COSTS AND INVESTING IN TRAINING AND RESEARCH AND DEVELOPMENT	359
	Managing Research and Development	362
NEWS NOTE:	Just How Important Is Research and Development?	362
□	HIGH-TECH INVESTMENTS AND QUALITATIVE CONSIDERATIONS	363
NEWS NOTE:	What's Information Worth?	364
	Considerations in High-Tech Investment Analysis	364
□	INVESTING TO MANAGE ENVIRONMENTAL COSTS	365
□	POST-INVESTMENT AUDIT	367
SITE ANALYSIS		368
APPENDICES:		
1.	Time Value of Money	370
2.	Accounting Rate of Return	372
PART 4	USING MANAGERIAL ACCOUNTING INFORMATION FOR PRODUCT COSTING	391
Chapter 9	Introduction to a Standard Cost System	392
ON SITE:	American Apparel	393
□	STANDARD COST SYSTEMS	394
□	DEVELOPMENT OF A STANDARD COST SYSTEM	395
□	MATERIAL STANDARDS	396
□	LABOR STANDARDS	397
NEWS NOTE:	The Beginning of Time and Motion Studies	398
□	OVERHEAD STANDARDS	399
NEWS NOTE:	ABC and Standard Costing Are Compatible, Not in Conflict	399
□	VARIANCE COMPUTATIONS	401
	Material Variances	402
	Point of Purchase Material Variance Model	403
	Labor Variances	404
	Factory Overhead Variances	405