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HANSEN & MOVLEN

MANAGEMENT ACCOUNTING



5th edition

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Preface

The fifth edition of *Management Accounting* introduces students to the fundamentals of management accounting. Though it is assumed that students have been introduced to the basics of financial accounting, extensive knowledge of financial accounting is not needed. Our emphasis is on the use of accounting information. Thus, the text should be of value to students with a variety of backgrounds. Although written to serve undergraduates, the text has been used successfully at the graduate level. There is sufficient variety in the assignment material to accommodate both undergraduate and graduate students.

Many business school students who are required to take a course in management accounting are not accounting majors. For these students, it is often difficult to appreciate the value of the concepts being taught. *Management Accounting, 5e*, overcomes this attitude by using introductory chapter scenarios based on real-world settings, photos illustrating practical applications of management accounting concepts, and realistic examples illustrating the concepts within the chapters. Seeing that effective management requires a sound understanding of how to use accounting information should enhance the interest of both accounting and nonaccounting majors.

ACTIVITY-BASED MANAGEMENT

Management accounting continues to evolve and respond to changes in the manufacturing and service sectors of today's business world. One significant response has been the development of activity-based management. The effect of the activity-based management model on management accounting has been dramatic. The widespread acceptance and practice of activity concepts demands treatment of activity-based methods in an integrated, comprehensive framework. To respond to this need, we have developed such a framework. Within this framework, we offer extensive coverage of such topics as activity-based costing, kaizen costing, Balanced Scorecard, environmental cost management, activity-based budgeting, process value analysis, quality, productivity, life-cycle cost management, target costing, and international management accounting issues.

FUNCTIONAL-BASED CONCEPT COVERAGE

To provide balance, the fifth edition continues to provide extensive coverage of traditional topics. There is still widespread usage of costing models that rely on production functions and control models that focus on functional organizational units. Covering these functional-based models is essential not just because they are used but because the significant differences between the activity-based and functional-based approaches can be brought to light. This helps students determine when it is appropriate to use the different approaches. This coverage also exposes the limitations of functional-based costing and control and highlights the advantages of activity-

based costing and control. The understanding that comes from the integrated approach of this text should help future managers bring about change when it is merited. Furthermore, perhaps realizing that management accounting is not a static discipline will itself contribute to additional innovative developments.

Take a few minutes to review the table of contents. You will see a balanced, integrative presentation of the activity-based and functional-based management accounting concepts.

ORGANIZATION OF THE TEXT

The sequence of chapters essentially follows that of the fourth edition. This presentation is used to facilitate integration of the activity-based concepts throughout the text. Changes to specific chapters are listed below.

Chapter 1: An introduction to the concepts of strategic cost management and strategic positioning was added.

Chapter 2: Discussion of activity cost behavior was moved to Chapter 3. The section on cost tracing was rewritten to simplify the concepts. The concept of drivers for tracing is introduced, while discussion of specific types of drivers, such as activity and resource drivers, is deferred until later chapters. Finally, the functional-based management accounting systems are introduced, defined, and compared briefly with activity-based management accounting systems.

Chapter 3: This activity cost behavior chapter has dropped the manual computation of regression coefficients in favor of an explanation of the use of popular computer spreadsheet regression routines.

Chapter 4: A section has been added that shows how activities are identified and assigned costs. Coverage of normal costing is reduced.

Chapter 8: A section on activity-based budgeting has been added.

Chapter 9: The discussion of the fixed overhead volume variance has been simplified and expanded to include the concept of capacity management.

Chapter 10: Discussion of activity-based budgeting has been moved to the budgeting chapter. A section on the Balanced Scorecard has been added. Furthermore, kaizen costing concepts have been added and the section on target costing expanded.

Chapter 11: A section on gainsharing has been added.

Chapter 12: This is a new chapter that deals with environmental cost management. This chapter defines and classifies environmental costs, assigns them to products, describes life-cycle cost assessment, and discusses control approaches, including the possibility of an environmental perspective as part of the Balanced Scorecard.

CHAPTER ORGANIZATION AND STRUCTURE

Each chapter is carefully structured to help students focus on important concepts and retain them. Components found in each chapter include:

Learning Objectives. Each chapter begins with a set of learning objectives to guide students in their study of the chapter. These objectives outline the organizational flow of the chapter and serve as points of comprehension and evaluation. Learning

objectives are tied to specific sections of topic coverage within the chapter. They are repeated in the margin at the beginning of the corresponding chapter coverage and are summarized at the end of the chapter. (see pages 2, 4, and 20)

Scenario. An interesting, real-world scenario opens each chapter. The scenario ties directly to concepts covered in the chapter and helps students relate chapter topics to actual business happenings. “Questions to Think About,” critical-thinking questions that appear at the end of each scenario, are designed to pique student interest in the chapter and stimulate class discussion. (see pages 3, 31, and 63)

Summary of Learning Objectives. Each chapter concludes with a comprehensive summary of the learning objectives. Students can review and test their knowledge of key concepts and evaluate their ability to complete chapter objectives. (see pages 47, 89, and 132)

Key Terms. Throughout each chapter, key terms are highlighted in color for quick identification. A list of key terms, with page references, is presented at the end of each chapter to provide additional reinforcement. All key terms are defined in a comprehensive glossary at the end of the text. (see pages 21, 48, and 90)

Review Problems. Each chapter contains at least one review problem with the accompanying solution provided. These review problems demonstrate the application of major concepts and procedures covered in the chapter. (see pages 48, 90, and 133)

Questions for Writing and Discussion. Approximately 15 to 25 short-answer questions appear at the end of each chapter to test students’ knowledge of chapter concepts. Many of the questions call for students to use critical thinking and written and oral communication skills. Several questions can be used to stimulate class participation and discussion. (see pages 50, 92, and 136)

Exercises. Exercises usually emphasize one or two chapter concepts and can be completed fairly quickly (30 minutes maximum). Exercises require basic application and computation and often ask students to interpret and explain their results. (see pages 51, 92, and 137)

Problems. Each chapter contains many end-of-chapter problems, with varying degrees of length and difficulty. Problems generally take longer to complete than exercises and probe for a deeper level of understanding. Problems usually have more than one issue and present challenging situations, complex computations, and interpretations. (see pages 55, 97, and 143)

Managerial Decision Cases. Most chapters contain at least two cases. Cases have greater depth and complexity than problems. They are designed to help students integrate multiple concepts and further develop their analytical skills. Several cases deal with ethical behavior. (see pages 59, 102, and 153)

Research Assignments. Research assignments appear in all chapters, allowing students to expand their research and communication skills beyond the classroom. One research assignment in each chapter, labeled “Cybercase,” requires the student to research information on the Internet. (see pages 61, 103, and 156)

ADDITIONAL FEATURES OF THE FIFTH EDITION

Coverage of Environmental Costing. A full chapter (Chapter 12) has been added on this current and relevant topic. (see pages 480–513)

International Coverage. To emphasize the importance of international issues, we provide a full chapter on this topic (Chapter 14) as well as examples integrated throughout the text. (see pages 390, 487, and 562)

Ethics. We continue to emphasize in the fifth edition the study of ethical conduct for management accountants. The role of ethics is discussed in Chapter 1, and the code of ethics developed by the Institute of Management Accountants is introduced. Examples of ethical conduct relative to management accounting issues are provided in other chapters as well. Chapter 14, dealing with international issues in management accounting, also has a section that discusses ethics in the international environment. Chapter 1 has several substantive problems on ethics, and subsequent chapters have at least one problem or case involving an ethical dilemma. These problems allow the instructor to introduce value judgments into management accounting decision making. (see pages 16, 60, and 581)

Real-World Emphasis. The fifth edition incorporates many real-world applications of management accounting concepts, making the study of these concepts more familiar and interesting to the student. Opening scenarios introduce chapter topics within the context of realistic business examples. Real-company examples are incorporated throughout many chapters. Names of real companies are highlighted throughout the text for easy identification and are listed in a company index at the back of the text. In addition, the URLs for many real-company web sites are shown in the margins. Photos have been added in individual chapters to help students relate to the real-world nature of management accounting. (see pages 40, 126, and 430)

Increased Coverage of Service Industry. Service businesses are experiencing unprecedented growth in today's economy. Managers of service businesses often use the same management accounting models as manufacturers, but they must adapt them to their own unique situations of providing intangibles to consumers. To address this need, we have increased the coverage of service industry applications in the fifth edition. In addition, many real-company examples of service businesses are given. (see pages 37, 43, and 106)

ANCILLARIES

Check Figures. Key figures for solutions to selected problems and cases are provided at the end of the text as an aid to students as they prepare their answers.

Study Guide (Prepared by Donna Ulmer, St. Louis Community College at Meramec). The study guide provides a detailed review of each chapter and allows students to check their understanding of the material through quizzes and exercises. Specifically, students are provided with a key terms test, a chapter quiz, and practice exercises. Answers are provided for all assignment material. Learning organizers help students compare and contrast key concepts and aid in visual learning.

Instructor's Manual (Prepared by Marvin Bouillon, Iowa State University). The instructor's manual contains a complete set of lecture notes for each chapter, a listing of all exercises and problems with estimated difficulty and time required for solution, and a transition guide for the fourth edition of *Management Accounting* as well as other widely used management accounting texts.

Solutions Manual (Prepared by Don Hansen and Maryanne Mowen, Oklahoma State University). The solutions manual contains the solutions for all end-of-chapter questions, exercises, problems, and cases. Solutions have been error-checked to ensure their accuracy and reliability.

Solutions Transparencies. Acetate transparencies for selected solutions are available to adopters of the fifth edition.

Test Bank (Prepared by Margaret Gagne, University of Colorado at Colorado Springs). Extensively revised for the fifth edition, the test bank offers multiple-choice problems, short problems, and essay problems. Designed to make exam preparation as convenient as possible for the instructor, each test bank chapter contains enough questions and problems to permit the preparation of several exams without repetition of material.

World-Class Testing Software. The test bank is available in computerized format, allowing instructors to design and edit their own tests.



Spreadsheet

Spreadsheet Templates (Prepared by Leslie Turner, Northern Kentucky University). Spreadsheet templates using Microsoft Excel® and Lotus 1-2-3® provide outlined formats of solutions for selected end-of-chapter exercises and problems. These exercises and problems are identified with a margin symbol. The templates allow students to develop spreadsheet and “what-if” analysis skills.

PowerPoint Slides (Prepared by Marvin Bouillon, Iowa State University). Selected transparencies of key concepts and exhibits from the text are available in PowerPoint presentation software.

Web Site. (hansen.swcollege.com) A web site designed specifically for *Management Accounting*, fifth edition, includes online and downloadable instructor and student resources. The web site features an online study guide with automatic feedback, prepared by Margaret Gagne of University of Colorado at Colorado Springs, for students.

BusinessLink Videos. A series of five videos 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 an instructor’s manual are available to accompany the videos.

Cases in Management Accounting (Prepared by Thomas R. Finnegan, current Director of Academics for University of Illinois Masters of Business Administration (MBA) program). These forty cases require students to think critically and strategically as well as apply technical accounting analysis to familiar scenarios and settings. The cases are also integrative in that they involve aspects of manufacturing and service operations, organizational design, and data analysis. The casebook includes Excel spreadsheet applications and Microsoft Access cost accounting/management databases. Case topics include process value analysis, the DuPont method, activity-based costing (ABC), activity-based management (ABM), break-even analysis, budgeting, performance measurement including the Balanced Scorecard approach, and transfer pricing. Photos that accompany the case provide the student with a contextual perspective that facilitates learning.

California Car Company Case (Prepared by Steven J. Adams and LeRoy J. Pryor, California State University—Chico). This 144-page, award-winning simulation forms the foundation of management accounting. Using construction block cars, students learn about the manufacturing process and management accounting by simulating their own production line. Students benefit from a manufacturing production line simulation while exploring key management accounting topics.

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Don R. Hansen
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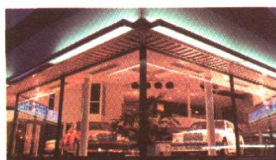
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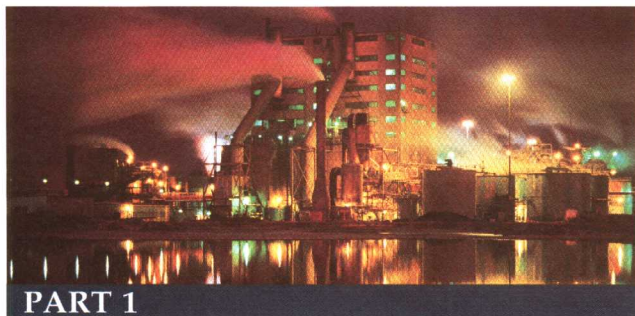
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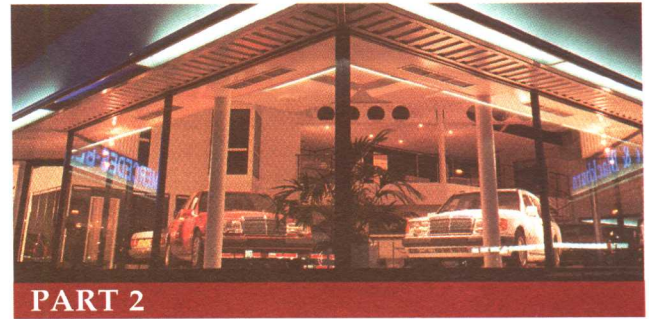
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