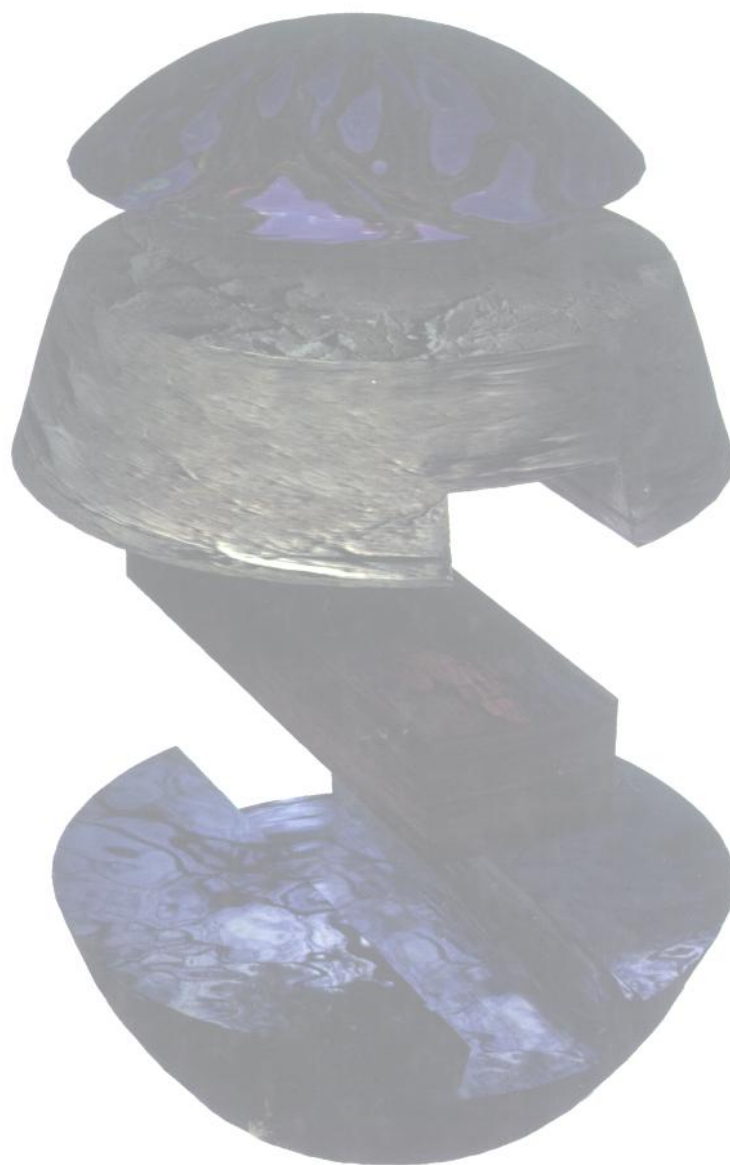


MANAGERIAL



ACCOUNTING

Eighth Edition

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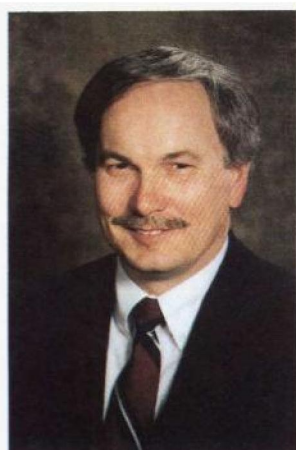
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Professor Noreen teaches management accounting at the undergraduate, masters, and doctoral levels and has won a number of awards from students for his teaching.

PREFACE

A paramount objective of *Managerial Accounting* has always been to make a clear and balanced presentation of relevant subject matter. The focus on relevance continues in this eighth edition with coverage of such current topics as JIT, TQM, ABC, process re-engineering, TOC, ethical issues, and quality costs and management. In recognition of the widespread application of management accounting concepts, many examples and problems in the book deal with service, not-for-profit, retail, and wholesale organizations as well as with manufacturing organizations. Also of great importance is the growing significance of the global economy. Few companies operate in a purely domestic environment, and the eighth edition provides international examples and explanations throughout. In short, the watchwords for this edition of *Managerial Accounting* are—as before—*relevance*, *balance*, and a continued tradition of *clarity*.

Acknowledging the greater need for a user perspective, the emphasis of *Managerial Accounting* is on uses of accounting data within an organization by its managers. Managers need information to carry out three essential functions in an organization: (1) planning operations, (2) controlling activities, and (3) making decisions. The purpose of *Managerial Accounting* is to show what kind of information is needed, where this information can be obtained, and how this information can be used by managers as they carry out their planning, controlling, and decision-making responsibilities. These three essential functions show that today's management accountant is not just a number cruncher or "corporate cop," but rather a key specialist in supporting the decision-making process.

Management accountants are now partners with other departments within an organization and engage in a wide variety of activities. These tasks range from traditional accounting work (such as financial reporting or resource management) to new types of work (such as internal consulting and process improvement). The Institute of Management Accountants (IMA) has identified the knowledge, skills, and abilities most important for entry-level accountants to have in order to perform these tasks. These skills are based on the accounting fundamentals (such as cost flows; accruals and deferrals; measurement, valuation, and presentation of revenue and expenses; and measurement, valuation, and presentation of assets and equities). *Managerial Accounting* emphasizes these accounting fundamentals in their relation to the decision-making process. Students gain an understanding of technical information and learn how to apply that information in appropriate situations.

ORGANIZATION AND CONTENT

As in prior editions, flexibility in meeting the needs of courses varying in length, content, and student composition continues to be a prime concern in the organization and content of this book. Sufficient text material is available to permit the instructor to choose topics and depth of coverage as desired. Appendixes, parts of chapters, or even (in some cases) whole chapters can be omitted without adversely affecting the continuity of the course. The Solutions Manual gives a number of alternatives for organizing the course.

New in This Edition

The eighth edition builds on the success of the seventh edition. The principle changes have all been motivated by a desire to make the material even more accessible and relevant to students.

Vignettes involving business people in life-like settings—“Managerial Accounting in Action”—are used in many chapters to introduce core concepts and stimulate interest. These vignettes are essential to, and an integral part of, the reading and understanding of the text. Real products and services that students can relate to are used as much as possible in examples. Many more examples and problems have a distinctly international flavor. The use of “Focus on Current Practice” boxes has been expanded and updated. A new annotation, “In the Real World,” has been added to the P.L.U.S. edition to provide the professor with real world examples to enhance lectures.

As in prior editions, special attention has been given to bringing new exercise, problem, and case material into the book. Users will again find a wide range of assignment material in terms of level of difficulty. A new type of assignment material—group exercises—has been added; they appear after the case material in each chapter. These extensive group exercises allow instructors to do collaborative learning in the classroom or assign group/team work for outside the classroom. This addresses AECC and AACSB recommendations for capabilities needed by accounting and business graduates.

Many small “polishing” changes have been made throughout the book to improve flow, comprehension, and readability. However, change has not been made simply for the sake of change. Rather, the revision has been guided with a single thought in mind—to make the eighth edition of *Managerial Accounting* the most up-to-date and teachable book available in its field.

Specific Changes in Chapter Contents

In this eighth edition, most chapters have been improved in various ways. Chapter 1 now includes an extended discussion of the business environment, including JIT material from the seventh edition’s Chapter 5 along with completely new material on TQM, process re-engineering, and TOC. Chapter 5 is now devoted to ABC and quality management, and incorporates material that was formerly in a Quality Costs and Reports Appendix. The following table provides a summary of these and other major changes.

Chapter	Major Content Changes in This Edition
Chapter 1	This chapter now includes an extended discussion of the business environment, including JIT material from the 7th edition’s Chapter 5 along with completely new material on TQM, process re-engineering, and theory of constraints.
Chapter 2	An alternate form for computing cost of goods manufactured and cost of goods sold is introduced.
Chapter 3	A vignette using a precision machine company illustrates a job-order costing system.
Chapter 4	The FIFO method of computing equivalent units of production has been moved to the FIFO appendix. A vignette about a ski manufacturer illustrates process costing concepts.
Chapter 5	This chapter is now devoted to ABC and quality management and incorporates material that was formerly in Appendix K in the 7th edition. A vignette illustrates the impact of switching to an ABC system in a multiproduct company.

Chapter 6	A service company vignette illustrates concepts involving fixed and variable costs.
Chapter 7	A vignette concerning a maker of automobile sound systems is used to demonstrate CVP analysis.
Chapter 8	A new vignette on a manufacturer of sweaters adds an international aspect to this chapter. A discussion of variable costing and the theory of constraints has been added.
Chapter 9	Five new “Focus on Current Practice” boxes add more real world examples. A vignette centering on a maker of popsicles illustrates budgeting principles.
Chapter 10	A vignette about a maker of pewter bookends demonstrates standards and variances.
Chapter 11	Minimal content changes.
Chapter 12	The material on transfer pricing has been moved to an appendix. A vignette of a software company explores the issues of segment reporting and profitability analysis.
Chapter 13	The appendix on linear programming has been eliminated. Sunk costs are discussed using a vignette of a manufacturer of hang gliders.
Chapter 14	The discussion of investments in automated equipment has been updated.
Chapter 15	A ski resort vignette demonstrates capital budgeting decisions and depreciation. More “Focus on Current Practice” boxes have been added.
Chapter 16	Minimal content changes.
Chapter 17	The mechanics of constructing a cash flow statement have been simplified. The working papers T-account approach has been replaced with a simpler worksheet approach. The direct method for determining the net cash flow provided by operating activities has been moved to an appendix.
Chapter 18	Minimal content changes.
Appendix	Minimal content changes.

Features

“Focus on Current Practice” boxes contain glimpses of how actual companies use or are affected by concepts discussed in the chapter. Each chapter has from two to nine boxes, helping a student understand the uses of managerial accounting in actual business practice.



International aspects of management have become increasingly important in recent years due to the emergence of regional and global markets. Discussion and examples that have an international dimension are identified by the icon shown in the margin.



More than 100 exercise, problems, and cases requiring written solutions (identified by the logo shown in the margin) improve students' written communication skills and address AECC and AACSB concerns.



Ethical issues are included both in assignment material and in the text (and identified by the icon shown in the margin). End-of-chapter assignments allow students an opportunity to consider ethical issues in making managerial decisions. This user-orientation helps address AECC and AACSB recommendations related to students' abilities to make sound ethical judgments.



This edition extends the use of actual company examples and numerous examples of other realistic companies (identified by the logo shown in the margin). These companies are of all types: large and small, domestic and international, manufacturing, service, and retail. These companies and examples show how the concepts discussed in the text apply to the global business environment.

Supplements for the Instructor

A number of supplementary materials are available to adopters.

Solutions Manual. Prepared by the textbook authors, the Solutions Manual was also carefully reviewed for accuracy by outside sources. This supplement contains completely worked-out solutions to all assignment material and a general discussion of the use of group exercises. In addition, the manual contains suggested course outlines and a listing of exercises, problems, and cases scaled as to difficulty. The Solutions Manual is available in electronic format as well.

Instructor's Resource Guide. Written by the textbook authors, it contains extensive chapter-by-chapter lecture notes that can serve as a base for classroom presentations. The lecture notes also have suggestions for useful ways of presenting key concepts and ideas. At the beginning of the lecture notes is a short description of what is new in that chapter of the eighth edition. This supplement also lists learning objectives and a list of transparency masters for each chapter. An "assignment grid" for each chapter indicates the topics covered by each exercise, problem, and case. And a table of "assignment materials" lists each exercise, problem, and case along with a short description of its content, level of difficulty, and suggested completion time.

Professional Learning Unit System (P.L.U.S.) Edition. This special instructor's edition of the eighth edition of *Managerial Accounting* contains annotations in the margins to help instructors plan their lessons. There are six types of marginal annotations: Instructor's Notes, Transparency References, Reinforcing Problems, In the Real World, Suggested Readings, and Check Figures.

Solutions Transparencies. These transparencies feature completely worked-out solutions to all assignment material. They are set in large, boldface type to maximize their effectiveness in large classrooms. Masters of these transparencies are available in the Solutions Manual.

Teaching Transparency Masters. This comprehensive set of teaching transparency masters, prepared by the textbook authors, can be used as the basis for classroom lectures and discussions. These masters can be found in the Instructor's Resource Guide.

Test Bank. The newly revised Test Bank, prepared by the textbook authors, contains more than 1,200 true-false and multiple-choice questions, computational problems, and essay questions organized by chapter.

Alternate Test Bank. This additional test bank provides more than 1,500 additional test questions, giving the instructor greater flexibility in testing.

Computest. A computerized version of the manual test bank for more efficient use is available in Macintosh, Windows, or DOS versions. The extensive features of this test generator program include random question selection based on the user's specification of type of question and level of difficulty.

Teletest. By calling a toll-free number, users can specify the content of exams and have a laser-printed copy of the exams mailed to them.

Ready Shows, Ready Slides. These teaching enhancement packages were prepared by Jon A. Booker, Charles W. Caldwell, Susan C. Galbreath, and Richard S. Rand, all of Tennessee Technological University. Ready Shows is a package of multimedia lecture enhancement aids that uses PowerPoint® software to illustrate chapter concepts. Ready Slides are selected four-color teaching transparencies printed from the PowerPoint® Ready Shows.

Check Figures. A list of check figures gives key answers for selected problems and cases. These check figures are available in bulk.

Richard D. Irwin Managerial/Cost Video Library. These short, action-oriented videos provide the impetus for lively classroom discussion. The *Managerial/Cost Video Library*, a series of six volumes, includes videos of international and service examples to go along with numerous manufacturing examples.

- Volume I “Behind the Bill”
 - “The Vancouver Door Company”
 - “How Many Bucks in a Bag”
- Volume II “Moving the Merchandise”
 - “Orge Mills, After the Curtain Fell”
- Volume III “Lean Production”
 - “Quality”
 - “The Manufacturing Process”
- Volume IV “Computer-Integrated Manufacturing”
 - “Inventory Management”
 - “Service”
- Volume V “Manufacturing”
 - “Supplier Development Outreach Program”
 - “Accounting Careers”
- Volume VI “Atlas Foundry and Machine Company”
 - “Management Accounting and Concepts”
 - “International Accounting”

Video Guide. This guide provides instructors with a brief overview of the key points and length of the video segments. It also provides questions to promote classroom discussion.

Supplements for the Student

Workbook/Study Guide. Prepared by the textbook authors, this study aid provides suggestions for studying chapter material, summarizes the essential points in each chapter, and tests students’ knowledge using self-test questions and exercises. The Workbook/Study Guide can be used as an efficient and effective way to prepare for exams.

Working Papers. This study aid contains forms that help students organize their solutions to homework problems.

Managerial Accounting Papers. Prepared by John Wanlass (De Anza College), these visually oriented papers combine working papers with problems and exercises from the text.

Ready Notes. This booklet of Ready Show screen printouts enables students to take notes during Ready Show or Ready Slide presentations.

Shelbourne Manufacturing, Inc. Prepared by Keith Weidkamp of Sierra College, this manual practice set illustrates the accounting system used by a manufacturing company.

Computer Supplements

- * *SPATS (Spreadsheet Applications Template Software).* This includes Lotus 1-2-3 and Excel templates for selected problems and exercises from the text. The templates gradually become more complex, requiring students to build a variety of formulas. "What if" questions are added to show the power of spreadsheets, and a simple tutorial is included. Instructors may request either a free master template for students to use or copy, or shrinkwrapped versions are available to students for a nominal fee. Both DOS and Windows versions are available.
- * *Tutorial Software.* Fill-in-the-blank, multiple-choice, true-false, journal entry review, and glossary review questions can be randomly accessed by students. Explanations of right and wrong answers are provided and scores are tallied. Instructors may request either a free master template for students to use or copy, or shrinkwrapped versions are available to students for a nominal fee. Both DOS and Windows versions are available.
- * *Ramblewood Manufacturing, Inc.* This computerized practice set was prepared by Leland Mansueti and Keith Weidkamp (both of Sierra College) and has been completely updated. This software simulates the operations of a company that manufactures customized fencing. It can be used to illustrate job-order costing systems with JIT inventory in a realistic setting. The entire simulation requires 10 to 14 hours to complete. A new feature prevents files from being transferred from one disk to another without detection. It is available on both 5.25" and 3.5" diskettes in DOS and Windows platforms. A multimedia version will be available soon.
- * *The Virtual Office.* This Windows-based multimedia software program acts as a vehicle for simulating various managerial accounting concepts and tasks. The Virtual Office provides an interactive means of gathering information pertaining to the many different scenarios facing a manager today. The Virtual Office interface allows students to launch tutorial software to enhance their subject knowledge, document their analysis by launching macro-driven spreadsheet and word-processing templates, and explore a simulated managerial accounting environment by gathering the information and performing the tasks of an actual manager.
- * *Room Zoom: The CPA Source Disc.* This multimedia, interactive CD-ROM provides an exciting guide to a CPA career. Students will be able to experience a day in the life of a CPA, review salary statistics, learn about scholarships and internships, understand the technology inherent in the profession, learn about the CPA exam, and much more. Available to students for a nominal charge when purchased from Irwin with *Managerial Accounting*, this innovative technology component would also be perfect for the first day of class.

DEVELOPMENT FOCUS AND ACKNOWLEDGMENTS

For this new edition, we asked more than 40 instructors to review *Managerial Accounting*. The reviewers teach in community colleges and four-year colleges and universities in all areas of the nation. *Managerial Accounting* users and non-users reviewed both the text of the seventh edition and the manuscript for the eighth edition.

Our goal is to keep *Managerial Accounting* up-to-date and strong by listening to reviewers' suggestions for changes and additions. Based on reviewer feedback, this new edition incorporates many suggestions to improve and refine the text while maintaining its typical strengths, such as readability and excellent end-of-chapter material.

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We are grateful to the Institute of Certified Management Accountants for permission to use questions and/or unofficial answers from past Certificate in Management Accounting (CMA) examinations. Likewise, we are grateful to the American Institute of Certified Public Accountants and to the Society of Management Accountants of Canada for permission to use (or to adapt) selected problems from their examinations. These problems bear the notations CMA, CPA, and SMA, respectively.

Ray H. Garrison
Eric W. Noreen

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