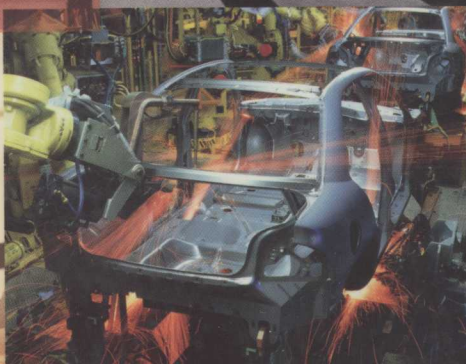


Managerial Accounting^{4e}

A Focus On Ethical Decision Making



Jackson • Sawyers

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Managerial Accounting

A Focus on Ethical Decision Making

Fourth Edition



Steve Jackson

The University of Southern Mississippi

Roby Sawyers

North Carolina State University

Contributing Author

Greg Jenkins

Virginia Polytechnic Institute and State University

THOMSON
★
SOUTH-WESTERN

*To those who influence our decisions:
Cheryl, Christina, Kent, and Ben
Amber and Robyn
Elaine, Anna, Claire, and Will*



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Fourth Edition

Steve Jackson, Roby Sawyers, Greg Jenkins

VP/Editorial Director:

Jack W. Calhoun

Publisher:

Rob Dewey

Acquisitions Editor:

Keith Chasse

Assoc. Developmental Editor:

Jessica Kempf

Sr. Content Project Manager:

Cliff Kallemeyn

Marketing Communications Manager:

Libby Shipp

Marketing Manager:

Kristen Bloomstrom Hurd

Technology Project Manager:

Sally Nieman

Art Director:

Linda Helcher

Sr. First Print Buyer:

Doug Wilke

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preface

“If by education we mean the cramming of a pupil’s mind with facts or rules, without any real conception of their meaning or the relations in which they stand to each other, it is perfectly safe to say that it is a waste of time. This kind of education fits a man for a certain groove, in which he moves in a routine way, a mere piece of mechanical machinery, incapable of independent thought or action. If confronted with a new condition, to which his rules do not apply, he is helpless, and is liable to make mistakes that are disastrous, because his action is based on insufficient knowledge of the foundation principles.” (*Journal of Accountancy*, 1917)

While 1917 may seem a little dated, more recently the Institute of Management Accountants has stressed that accounting programs should redirect their focus away from curricula that emphasize in-depth, technical, and procedural subject matter to a more general approach that emphasizes concepts and problem-solving skills. Similar sentiments are echoed in the American Institute of Certified Public Accountants’ *CPA Vision Project* and in the monograph *Accounting Education: Charting a Course through a Perilous Future*.

These views provide the underlying motivation of this textbook. We believe that it is critical to educate students in the principles and concepts of managerial accounting in a way that teaches and improves their problem-solving skills. While we believe that students should be exposed to traditional concepts and tools in learning to make good decisions, we also feel strongly that modern accounting education demands that students be able to apply critical-thinking skills in unstructured settings. In addition, we believe that students can benefit from learning to apply their knowledge and skills with an appreciation for the impact of their decisions on the various stakeholders. Accordingly, we have placed a chapter on governance and ethics at the beginning of this edition in the hopes that doing so will lead students to consider a broader range of factors in their decision-making process.

Managerial Accounting: A Focus on Ethical Decision Making, fourth edition, provides students with the understanding of fundamental accounting concepts and tools while emphasizing analysis and interpretation of information rather than its preparation. This approach enables us to teach students to think not only about “how” the accounting takes place, but also “why” that accounting takes place and how the resulting information improves the decision making process. Our approach does not rely on the extensive use of journal entries or other accounting procedures, because our primary focus is on the use of accounting information by managers in organizations. We provide numerous business examples throughout the text to demonstrate how actual companies apply managerial accounting in strategic ways to improve their business. And, as mentioned above, we have added more of an emphasis on ethics and corporate governance due to the growing importance of these topics in today’s business environment.

We present an approach that we eagerly invite you to explore—an approach that allows students to develop an appreciation for business decision making and prepare for success in their careers. The text is written in a manner that uses real-world companies in order to appeal to a wide audience, including students who are studying accounting, management, marketing, finance, human resources, general business, and even students who are not pursuing business degrees. The text is written for all who will use accounting information to make decisions.

New to This Edition

- We have included an increased emphasis on the importance of strong governance and sound ethical business practices. Chapter 2 includes new and expanded coverage of corporate governance and ethics and allows faculty to more easily integrate a discussion of ethical issues throughout the book.
- We have added new “Bridging the GAAP” features that point out the financial impact of managerial decisions and help students better understand the relationship between managerial accounting and financial accounting. In addition, many of the “Doing Business” boxes in the third edition were integrated into the text to provide relevant real-world examples of the related topics without interrupting the flow of the text.

BRIDGING THE GAAP

Time is Money

Carolina Cabinet Company custom makes commercial display cabinets. Implementing lean manufacturing in the company's machining department resulted in streamlining the manufacturing process and a subsequent 20 percent reduction in manufacturing space requirements, a 25 percent reduction in labor, the

elimination of unnecessary equipment, and a reduction in processing time from 2 days to 4.5 hours. As a result, the company increased production from 10 units to 25 units each week (Rick Gregory, “Lean Produces Large Gains at Carolina Cabinet Company,” *IES News*, available online at <http://www.ies.ncsu.edu>).

- Other major additions include a discussion of enterprise risk management in Chapter 1, lean production in Chapter 3, and service department cost allocation in Chapter 6. In order to facilitate the discussion of cost behavior and cost drivers, we have moved the discussion of cost behavior before the related “costing” topics in Chapters 5 and 6. See the list below for more specific chapter changes.

Chapter 1 Accounting Information and Managerial Decisions

New to the fourth edition is a discussion of Enterprise Risk Management with a discussion of the impact of strong ethical environments and internal control systems on identifying and managing risks.

Chapter 2 Corporate Governance and Ethics

The importance of strong corporate governance and sound ethical business practice to managerial decision making has become more evident in recent years. To better emphasize these topics, we have moved the related discussion from Chapter 14 (in the third edition) to Chapter 2 in this edition. This chapter includes new and expanded coverage of governance and ethics including the introduction of stakeholder analysis. In addition, each chapter includes a feature called “The Ethics of Business” that describes a business situation in which management has made a questionable decision. Each of these short features includes “*It's Your Choice*,” questions designed to encourage students to think about alternative decisions.

Chapter 3 Product Costing: Manufacturing, Processes, Cost Terminology and Cost Flows

New to the fourth edition is a discussion of lean production as well as increased emphasis on service providers. The application of lean principles in the healthcare industry is discussed and a balance sheet and income statement for a service provider are illustrated. In addition, “The Ethics of Business,” “Doing Business” and “Bridging the GAAP” features have all been revised. Both the Ethics and Doing Business features offer examples from service companies.

Chapter 4 Cost Behavior and Relevant Costs

The chapter on cost behavior and relevant costs has been moved before the related discussion of job costing, process costing, and operations costing in Chapter 5 and activity based costing in Chapter 6. This facilitates the discussion of cost drivers in both chapters. “The Ethics of Business” feature has been updated as well.

Chapter 5 Job Costing, Process Costing and Operations Costing

In the fourth edition, we updated the “Doing Business” feature and revised several end of chapter questions to clarify the timing of transactions. The discussion of backflush costing was moved to the appendix in Chapter 6.

Chapter 6 Activity Based Costing

The TopSail Construction ABC example has been substantially revised. We also added an appendix called “Other Costing Topics” with a new section on service department cost allocation and backflush costing. New “Ethics of Business” and “Doing Business” features were added featuring Enron and Blue Cross and Blue Shield.

Chapter 7 Cost-Volume-Profit Analysis and Variable Costing

A new “Bridging the GAAP” box featuring a merchandising company was added and the “Doing Business” feature was updated. In addition, several new end of chapter questions were added.

Chapter 8 Relevant Costs and Product Planning Decisions

The chapter title has been renamed to more accurately describe its content. Features have been updated and end of chapter questions have been revised or supplemented.

Chapter 9 Long-Term (Capital Investment) Decisions

A number of new end of chapter questions have been added to provide students practice in understanding after-tax NPV. Various features were updated and new features about current business trends were added.

Chapter 10 The Use of Budgets in Planning and Decision Making

In the fourth edition, new sections on participation in the budget development process and the behavioral implications of budgeting and related end of chapter questions have been added to the chapter.

Chapter 11 Variance Analysis—A Tool for Cost Control and Performance Evaluation

In the fourth edition we added a new “Doing Business” feature dealing with lean production and standard costing. In addition we updated and added several end of chapter questions and exercises.

Chapter 12 Decentralization and Performance Evaluation

Several new end of chapter questions on compensation issues were added. In addition, a new ethics feature describing the recent scandals related to backdating of stock options was added.

Chapter 13 Performance Evaluation Using the Balanced Scorecard

The chapter has been updated to reflect recent events and a new “Bridging The GAAP” feature has been added.

Chapter 14 The Strategic Use of Managerial Accounting Information

Features have been updated along with the real-life examples used throughout the chapter.

Chapter 15 Financial Statement Analysis

Features have been updated and the discussion of the P/E ratio has been expanded.

Chapter 16 The Statement of Cash Flows

Hasbro’s statement of cash flows has been updated.

Supplements for Instructors

- **Instructor’s Resource CD-ROM** (ISBN: 032465071X) Find everything you need to plan, teach, grade, and assess student understanding and progress in one resource. This CD includes all of the necessary instructor materials, including the following items:
 - Solutions Manual
 - Instructor’s Manual
 - Test Bank with Exam View
 - PowerPoint presentations
- **Product Support Web Site** (www.thomsonedu.com/accounting/jackson) A variety of instructor resources are available through South-Western’s password-protected Web site. Downloadable instructor supplement files are available for the Solutions Manual, Instructor’s Manual, and PowerPoint presentations, each organized by chapter.
- **Experience Accounting Video Series** (www.thomsonedu.com/accounting/eav) A great resource for instructors to incorporate into their course, these videos are available by internet access only. These can be bundled for free with a new text or purchased online.

Supplements for Students

- **Product Support Web Site** (www.thomsonedu.com/accounting/jackson) A wealth of resources for students, including tutorial web quizzes by chapter.
- **Experience Accounting Video Series** (www.thomsonedu.com/accounting/eav) These videos highlight progressive companies, focusing on how they incorporate managerial accounting to enhance business performance. Students can access the videos online or purchase an access code bundled with a new text.

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Karen N. Russom, North Harris College

Linda Marquis, Northern Kentucky University

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Greg Burbage, Sacramento City College

Robert Burdette, Salt Lake Community College

Roger Gee, San Diego Mesa Community College

Mike Costigan, Southern Illinois University-Edwardsville

Sol Ahiaiah, SUNY-Buffalo

Alex Ampadu, SUNY-Buffalo

Mary Krygiel, Towson University

Phillip Blanchard, University of Arizona

David Dearman, University of Arkansas-Ft. Smith

SungWook Yoon, University of Colorado

Marvin Williams, University of Houston-Downtown

Bruce Lubich, University of Maryland

James Lukawitz, University of Memphis

Andrew Morgret, University of Memphis

Karen S. Bird, University of Michigan

Diane Tanner, University of North Florida

Robert Scharlach, University of Southern California

Frank Mayne, University of Texas at El Paso

Kathleen Fitzpatrick, University of Toledo

David Remmele, University of Wisconsin-Whitewater

Carolyn Strand-Norman, Virginia Commonwealth University

Cintia M. Easterwood, Virginia Tech

Samantha Cox, Wake Technical Community College

Frank A. DeGeorge, West Virginia University

M.A. Houston, Wright State University

Harold Little, Western Kentucky University

about the authors

Steve Jackson, C.P.A.

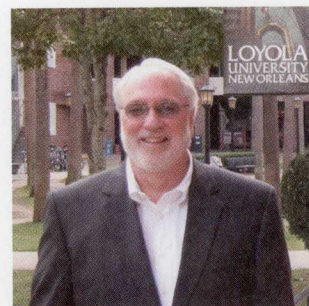
Steve Jackson, C.P.A., is an Associate Professor at The University of Southern Mississippi. He earned a Ph.D. from Arizona State University and a B.S. from the University of Montana.

Professor Jackson has published articles in such refereed journals as *Journal of Accounting and Finance Research*, *Journal of Economic and Social Measurement*, *Journal of Economic and Business Perspectives*, *Journal of Business and Economic Research*, *Accounting Educators Journal*, and *Journal of Accountancy*. His research interests are in accounting education and behavioral issues in Ethics and Auditing. He has more than 23 years of teaching experience and has held faculty positions at Northern Arizona University, Western New England College, the University of Southern Maine, the University of Tennessee at Martin, where he held the Hendrix Chair of Excellence and Loyola University New Orleans, where he was the chairman of the accounting department. Dr. Jackson has taught courses in managerial accounting and strategic cost management, auditing and assurance, and financial accounting at both the undergraduate and graduate levels.

Professor Jackson has received numerous teaching awards, including three excellence-in-teaching awards while a doctoral student at Arizona State University. He was named outstanding faculty member by the University of Southern Mississippi Gulf Coast Accounting Society. He was the recipient of the Faculty Senate Intellectual Contributions award while at the University of Southern Maine and the Excellence in Research award at the University of Tennessee at Martin. He has held distinguished professorships while at the University of Tennessee at Martin and Loyola University New Orleans.

Dr. Jackson's professional activities include membership in the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Management Accountants, and the Institute of Internal Auditors. He is a former staff accountant with Touche Ross & Co. in Seattle and has more than 12 years of public accounting experience.

Professor Jackson and his wife Cheryl live in D'Iberville, Mississippi. They have three grown children, Christina, Kent, and Benjamin, and two grandchildren, Charles and Elise.



Roby Sawyers, C.M.A., C.P.A.

Roby Sawyers, C.M.A., C.P.A., is Professor of Accounting at North Carolina State University. He earned a Ph.D. from Arizona State University, a Master of Accountancy from the University of South Florida, and a B.S.B.A. from the University of North Carolina at Chapel Hill.

He regularly teaches courses in managerial and cost accounting, strategic cost management, individual and business taxation, and the taxation of estates, gifts, and trusts. In addition to serving on the faculty at NC State since 1989, Professor Sawyers has served as a visiting professor in the International Management Program at the IESEG School of Management, Catholic University, Lille, France, the Vienna School of Economics and Business (Wirtschaftsuniversitat Wien), and



Kenan Flagler Business School at the University of North Carolina at Chapel Hill. He has also taught or developed a variety of continuing education courses for the American Institute of CPAs (AICPA), the Institute of Management Accountants, McGladrey and Pullen, BDO Seidman, and PricewaterhouseCoopers. He has received awards for both outstanding teaching and outstanding extension service from the College of Management at North Carolina State University.

Professor Sawyers' research interests include individual behavior and decision making in a variety of contexts, the estate and gift tax, multistate taxation of business entities and corporate ethics. He has published articles in a variety of journals, including *Journal of Accountancy*, *Journal of Business Ethics*, *Journal of the American Taxation Association*, *The ATA Journal of Legal Tax Research*, *Advances in Taxation*, *National Tax Journal*, *The Tax Adviser*, *Tax Notes*, *The CPA Journal*, and *Auditing: A Journal of Practice and Theory*. He is a contributing author of *Advanced Business Entity Taxation*, and the author of "Strategic Cost Management" in the *Handbook for International Business*. He was the primary author of a monograph on the future of the estate tax, published by the AICPA in 2001.

Dr. Sawyers's professional activities include membership in the American Accounting Association, the Institute of Management Accountants, and the American Taxation Association. He currently serves on the Tax Executive Committee of the AICPA and formerly served as the chair of the AICPA Trust, Estate and Gift Tax Technical Resource Panel. He is a member of the North Carolina Association of CPAs, has public accounting experience, and regularly provides tax, consulting and expert witness services to individual and business clients.

Professor Sawyers lives with his wife and daughter in Raleigh, North Carolina.



Greg Jenkins, C.P.A.

Greg Jenkins, CPA, is Associate Professor of Accounting and Information Systems and the William S. Gay Research Fellow at Virginia Tech. He earned a Ph.D. from Virginia Polytechnic Institute and State University, and an M.S. in accounting and a B.S.B.A. from Appalachian State University.

Professor Jenkins has published articles in *Accounting, Organizations and Society*, *Auditing: A Journal of Practice and Theory*, *Behavioral Research in Accounting*, *Internal Auditing*, *Journal of Accountancy*, *Journal of Business and Economic Perspectives*, *Journal of Forensic Accounting*, *Strategic Finance*, *The Journal of Applied Business Research*, and *The CPA Journal*. He is also a coauthor of *Comprehensive Assurance & Systems Tool*, an integrated practice set, and the author of *The Enron Collapse*, both published by Prentice Hall. He has more than 12 years of teaching experience and has taught courses in accounting information systems, undergraduate and graduate auditing, business ethics, managerial and financial accounting principles, and survey of accounting. Professor Jenkins was previously on the faculty at North Carolina State University where he received the University Outstanding Teacher Award and was inducted into the Academy of Outstanding Teachers. In addition, Professor Jenkins has served as a visiting professor in the International Management Program at the IESEG School of Management, Catholic University, Lille, France.

His professional activities include membership in the American Accounting Association and the American Institute of Certified Professional Accountants. Professor Jenkins previously worked as an auditor with Ernst & Young, LLP, and McGladrey & Pullen, LLP, and he has provided consulting services to the furniture industry. He also served on a research task force of the Auditing Section of the American Accounting Association charged with advising the Public Company Accounting Oversight Board on revisions to quality control standards.

Professor Jenkins lives with his wife, two daughters, and son in Blacksburg, Virginia.

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