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财务与会计系列

成本管理：会计与控制

COST MANAGEMENT

ACCOUNTING AND CONTROL (SECOND EDITION)

HANSEN & MOWEN



世界财经与管理教材大系

东北财经大学出版社

世界财经与管理教材大系

财务与会计系列·英文版

成本管理：会计与控制

（第二版）

Cost Management: Accounting and Control
Second Edition

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To Our Parents:
Lindell and Leola Wise and
John L. Myers and Marjorie H. Myers

Preface

Cost Management, second edition, continues to capture the dynamics of cost management in today's organization. The changes in the business environment over the past twenty years continue to profoundly affect cost accounting and cost management. An increased emphasis on providing value to customers, total quality management, time as a competitive element, advances in information and manufacturing technology, globalization of markets, service industry growth, and morality management are just a few examples of these changes. All these changes are driven by the need to create and sustain a competitive advantage. For many firms, the information required to create and sustain a competitive advantage no longer can be derived from traditional cost management information systems. As a result, firms operating in the contemporary environment demand more sophisticated information to support the requirements of this new environment. Typically, the contemporary cost management system is more detailed and more accurate than a traditional cost management system and, thus, more costly to operate. The emergence of contemporary systems therefore suggests that in many cases, the benefits of the more sophisticated system outweigh its costs. On the other hand, the continued existence of and reliance on traditional systems suggest the opposite for other firms.

The coexistence of traditional and contemporary cost management systems also implies a need to study both. Studying both systems provides both flexibility and depth of understanding. Thus, in creating a text on cost management, we decided that a *systems approach* provided a convenient and logical framework. Using a systems framework allows us to make a clear distinction between the traditional and contemporary approaches and in a way that would make it easy for students to grasp. It also avoids any artificial "integration" of the two systems. Integration is achieved by developing a common terminology—a terminology that allows us to define each system and discuss how they differ. We then discuss the traditional and contemporary approaches to costing and control in separate chapters. We believe this separation minimizes confusion and allows students to appreciate the differences that exist between contemporary and traditional approaches. It also permits an emphasis on either the traditional or contemporary approaches, depending on preferences. However, we did not follow the same pattern for the chapters on decision making. For these chapters, we felt that it would be more useful for students to see how the decision changes as the information set changes. For example, how does a make-or-buy decision change as we move from a unit-based traditional cost management system to the richer, activity-based cost management system?

AUDIENCE

This text is written primarily for students at the undergraduate level. The text presents a thorough treatment of traditional and contemporary approaches to cost management, accounting, and control, and can be used for a one- or two-semester course. The text also has sufficient depth for graduate-level courses.

KEY FEATURES

We feel that the text offers a number of distinctive and appealing features—features that should make it much easier to teach students about the emerging themes in today's business world. One of our objectives was to reduce the time and resources expended by instructors so that students can be exposed to contemporary topics and practices. To give you a clear picture of the text's innovative approach, we have provided a detailed description of its key features.

Systems Framework

The text's organization follows a *systems framework*. Chapters 1 through 3 introduce the basic concepts and tools associated with cost management information systems (p. 31). Chapters 4 through 9 are concerned with product costing systems. This section addresses the first major objective of a cost management information system: providing information for costing out services, products, and other objects of interest to management. The section is subdivided into traditional and contemporary approaches. Providing information for decision making is also a major objective of a cost management information system. Chapters 10 through 15 deal with traditional and contemporary decision-making approaches. The third major objective of a cost management system is that of planning and control. Chapters 16 through 22 deal with these topics. This section is also subdivided into traditional and contemporary topics.

Contemporary Topics

The emerging themes of cost management are covered in depth and are integrated throughout the text. Integration, however, means more than simply adding a few pages within chapters that primarily focus on traditional cost management. It means that we have provided a framework for treating both traditional and contemporary topics and have used a common terminology that links the two approaches. It also means recognizing that the contemporary and traditional approaches are different enough that separate and comprehensive treatments are often called for. The nature and extent of the coverage of contemporary topics is described below. As this summary reveals, there is sufficient coverage of contemporary topics to provide a course that strongly emphasizes contemporary themes.

Historical Perspective Chapter 1 provides a brief history of cost accounting. The historical perspective allows students to see why traditional cost management systems work well in some settings but no longer work for other settings. The forces that are changing cost management practices are described. The changing role of the management accountant is also described, with particular emphasis on why the need to develop a cross-functional expertise is so critical in today's

environment. We think that this chapter is innovative in its thrust and offers more substance than is typically found in an introductory chapter. The chapter sets the tone for the entire text.

Providing Value to Customers The provision of value to customers is illustrated by the *value chain,* which is first introduced in Chapter 1 and defined and illustrated more completely in Chapter 2. Chapter 9 provides a detailed discussion of value-chain analysis. Value-chain analysis means that managers must understand and exploit internal and external linkages so that a sustainable competitive advantage can be achieved. Examples are provided that illustrate how value-chain analysis works. The examples show how the value-chain concepts can be operationalized—something which has not been clearly described by other treatments (pp. 360–365). Thus, we feel that the operational examples are a significant feature of the text.

Accounting and Cost Management Systems In Chapter 2, the accounting information system and its different subsystems are defined. Distinctions are made between the financial accounting and cost management information systems (they serve different purposes). The cost management information system is broken down into the cost accounting information system and the operational control system. The differences between traditional and contemporary cost management systems are defined and illustrated (pp. 58–59). The criteria for choosing a contemporary system over a traditional system are also discussed.

In Chapter 2, three methods of cost assignment are delineated: direct tracing, driver tracing, and allocation. Activity, resource, and cost drivers are also defined. Once the general cost assignment model is established, the model is used to help students understand the differences between traditional and contemporary cost management systems. A clear understanding of how the two systems differ is fundamental to the organizational structure that the text follows (p. 59).

Activity-Based Costing and Management Much has been written on the uses and applications of ABC. This text presents a comprehensive approach to activity-based costing and management.

The *activity-based product costing model* is introduced in Chapter 2 and described in detail in Chapter 8. In Chapter 8, the advantages of ABC over unit-based costing are related (pp. 303–304). Chapter 8 also describes how activities are identified and classified so that homogeneous cost pools can be formed. Activity attributes and activity inventories are described. How costs are assigned to activities using resource drivers is illustrated. We feel that the ABC coverage is richer than most.

To fully understand how an ABC system works, students must also understand the data needed to support the system. Thus, we show (in Chapter 8) how the general ledger system must be unbundled to provide activity information. We also define and illustrate an *ABC relational data base.* This helps the student understand the very practical requirements of an ABC system and is a unique feature of this text (pp. 324–328).

Activity costs change as activity output changes. Variable, fixed, and mixed activity cost behavior is first defined in Chapter 2. Later, in Chapter 3, methods of breaking out fixed and variable activity costs are described. The chapter on cost behavior analysis is more general than usual chapters that treat the subject. Traditional treatment usually focuses on cost as a function of production volume.

We break away from this pattern and focus on cost as a function of changes in activity output with changes in production activity as a special case.

The *activity resource usage model* is used to define activity cost behavior (in terms of when resources are acquired) and is defined and discussed in Chapter 3. This resource usage model plays an important role in numerous contemporary applications. It is used in value-chain analysis (Chapter 9), tactical decision and relevant costing analysis (Chapter 11), and in activity-based responsibility accounting (Chapter 20). The extensive applications of the activity resource usage model represent a unique feature of the text.

Just-in-Time Effects JIT manufacturing and purchasing are defined and their cost management practices are discussed in Chapters 9, 13, and 20. JIT is compared and contrasted with traditional manufacturing practices. The effects on cost traceability, inventory management, product costing, responsibility accounting, and so on are carefully delineated (pp. 372–380, 557–565).

Life Cycle Cost Management In Chapter 9, we define and contrast three different life cycle viewpoints: production life cycle, marketing life cycle, and the consumable life cycle. We then show how these concepts can be used for strategic planning and analysis. In later chapters, we show how life cycle concepts are useful for pricing and profitability analysis (Chapters 14 and 15). Finally, life cycle budgeting is discussed in the chapter on contemporary responsibility accounting (Chapter 20). The breadth, depth, and numerous examples illustrating life cycle cost applications allow the student to see as never before the power and scope of this methodology (pp. 878–879).

Responsibility and Process Value Analysis The new responsibility accounting focuses on controlling and managing processes. The mechanism for doing this is called process value analysis. *Process value analysis* is defined and thoroughly discussed in Chapter 20. Numerous examples are given to facilitate understanding. Value-added and nonvalue-added cost reports are described (pp. 864–875).

In Chapter 20, we compare and contrast the traditional responsibility accounting system with the contemporary system. This allows students to understand the essential conceptual differences between the two approaches. It also reveals the limitations of traditional approaches to control in the new manufacturing environment (pp. 860–863).

Costs of Quality: Measurement and Control Often textual treatments simply define quality costs and present cost of quality reports. In Chapter 21, we go beyond this simple presentation and discuss cost of quality performance reporting. We also describe quality activities in terms of their value-added content. Finally, we introduce and describe ISO 9000, an important quality assurance and reporting system that many firms must now follow (pp. 921–926).

Productivity: Measurement and Control The new manufacturing environment demands new approaches to performance measurement. Productivity is one of these approaches, yet it is either not treated or is superficially discussed in most cost and management accounting texts. In Chapter 22, we offer a thorough treatment of the topic, including some new material on how to measure activity and process productivity (pp. 960–968).

Strategic Cost Management A detailed introduction to strategic cost management is provided in Chapter 8. Understanding strategic cost analysis is a vital part of the new manufacturing accounting. We feel that we have provided a more extensive introduction to this topic than anything currently available.

Theory of Constraints In Chapter 13, we provide a thorough introduction to the theory of constraints (TOC). TOC is described using a linear programming framework. This framework not only facilitates the description of TOC but it also provides a setting where students can see the value of linear programming. In fact, our treatment of linear programming is motivated by the need to develop the underlying concepts so that TOC can be presented and discussed.

Service Sector Focus

The significance of the service sector is recognized in this text through the extensive application of cost management principles to services. The text explains that services are not simply less complicated manufacturing settings, but instead have their own characteristics. These characteristics require modification of cost management accounting principles. Sections addressing services appear in a number of chapters, including product costing, pricing, and quality and productivity measurement (pp. 127–131, 233, 312–314, 966).

Professional Ethics

Strong professional ethics are part of the personal foundation every accountant must have. We are convinced that students are interested in ethical dimensions of business and can be taught areas in which ethical conflicts can occur. Chapter 1 introduces the role of ethics; the ethical standards developed by the Institute of Management Accountants are reprinted there. To reinforce coverage of ethics, every chapter includes an ethics case for discussion. In addition, many chapters include sections on ethics. For example, Chapter 14, on pricing and revenue analysis, introduces the student to research on community standards of fairness and ethical dimensions of pricing. Chapter 19, on international issues, explores the dilemmas of differing ethical systems throughout the world.

Behavioral Issues

Ethical behavior is just one aspect of human behavior that is affected by cost management systems. The systems used for planning, control, and decision making can affect the way in which people act. Insights from behavioral decision theory are presented in appropriate sections of the text. For example, a simplified approach to prospect theory is presented in Chapter 15 to motivate a discussion of attitudes toward profit and loss. Chapter 16, on budgeting, includes a section on the behavioral impact of budgets. We believe that an integration of behavioral issues with accounting issues leads to a more complete understanding of the role of the accountant today.

Real World Examples

Our years of experience in teaching cost and management accounting have convinced us that students like and understand real world applications of accounting concepts. These real world examples make the abstract accounting ideas concrete and provide meaning and color. Besides, they're interesting and fun.

Therefore, real world examples are integrated throughout every chapter. The company index at the end of the text will help you locate these examples (pp. 369, 636, 639–640, 681–682, 924).

Outstanding Pedagogy

We think of this text as a tool that can help students learn cost accounting and cost management concepts. Of paramount importance is text readability. We have written a very readable text and added numerous examples, real world applications, and illustrations of important cost accounting and cost management concepts. Specific "student-friendly" features of the pedagogy include the following.

Two photo essays designed to pictorially illustrate cost management concepts are included. The first photo essay, following Chapter 7, depicts cost concepts from firms using a traditional approach. The second photo essay, following Chapter 15, depicts cost concepts from firms using contemporary approaches. The inclusion of both photo essays supports our contention that both the traditional and contemporary approaches have their place in firms today (pp. 296–299, 670–673).

All chapters (except Chapter 1) include at least one review problem and solution. These problems demonstrate the computational aspects of chapter materials and reinforce the students' understanding of chapter concepts before they undertake end-of-chapter materials (pp. 329–332).

All chapters include comprehensive end-of-chapter materials. These are divided into "Questions for Writing and Discussion" and "Exercises and Problems." The questions for writing and discussion emphasize communication skill development. Exercises and problems to support every learning objective are included, and the relevant topics and learning objectives are noted in the text margins. The exercises and problems are graduated in difficulty from easy to challenging. CMA exam problems are included to enable the student to practice relevant problem material. Every chapter includes at least one ethics case.

An innovative supplement to this text is the continuing systems problem, which revolves around the Open Road, Inc., bicycle company. The Open Road, Inc., problems enable students to apply chapter concepts to a database problem using either Excel or Lotus 1-2-3®.[1]

Lotus and Excel Template problems are identified in the end-of-chapter materials with appropriate icons.[2] These problems are designed to help students use computer tools to solve cost accounting problems.

A glossary of key terms is included at the end of the text. Key terms are also listed in the end-of-chapter material and identify the text pages to refer to for fuller explanation.

Whenever possible, graphical exhibits are provided to illustrate concepts. In our experience, some students need to "see" the concept, so we have attempted to portray key concepts to enhance understanding. Of course, many numerical examples are also provided (pp. 244, 249).

At the end of each of the four parts, a comprehensive problem is provided for those instructors who prefer to explore chapter concepts in a more integrated manner (pp. 665–669). Questions at the end of each comprehensive problem enable the instructor to pick and choose the chapters to be emphasized in the case.

1. Lotus and 1-2-3 are registered trademarks of the Lotus Development Corporation. Excel is a registered trademark of the Microsoft Corporation. Any reference to Lotus, 1-2-3, or Excel refers to this footnote.
2. Lotus and Excel template problems carry the following icon. 

COMPREHENSIVE ANCILLARIES PACKAGE

Instructor's Manual, Prepared by Jay S. Holmen, University of Wisconsin. 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, problem statements and instructions for Open Road Inc., and a transition guide for other widely used cost management accounting texts. The manual also includes the section "Cooperative Learning Techniques," written by Philip G. Cottell Jr., Miami University, and Barbara J. Millis, University of Maryland. This section details techniques for integrating cooperative learning into the cost accounting course. Strategies, carefully linked to the learning objectives of this text, are offered to help incorporate teaching and learning approaches recommended by the AECC.

Solutions Manual. This supplement contains the solutions for all end-of-chapter material. Solutions have been independently verified to ensure their accuracy and reliability.

Solutions Transparencies. The transparencies include solutions to end-of-chapter exercises, problems, and comprehensive cases.

Test Bank, Prepared by Marvin L. Bouillon, Iowa State University. A test bank of multiple choice questions and examination problems accompanied by solutions is available in both printed and microcomputer (MicroExam 4.0) versions. The Test Bank is designed to save time in preparing and grading periodic and final examinations.

Study Guide, Prepared by Jay S. Holmen. The study guide provides a detailed review of each chapter and allows students to check their understanding of the material through review questions and exercises. Specifically, students are provided with a Chapter Review, Review Questions and Exercises, and a "Can You?" Checklist that helps students test their knowledge of key concepts in the chapter.

Open Road, Inc., Database Problems, Prepared by Marvin L. Bouillon. The continuing database problems expose students to the problems of data selection and acquisition found in the business world. In addition, they give students the opportunity to apply concepts from the chapter. The database is provided in Lotus 1-2-3 and Excel and is free to adopters of this text. Instructions for using the database and solutions to all the problems are included in the instructor's and solutions manuals.

Spreadsheet Applications. Select end-of-chapter exercises and problems may be solved using Lotus 1-2-3 and Excel template diskettes. Exercises and problems are identified with an icon in the margin. The diskettes, which also provide a Lotus 1-2-3 tutorial, are provided free of charge to instructors at educational institutions who adopt this text.

PowerPoint Slides, Prepared by Ted Compton, Ohio University. Selected transparencies of key concepts and exhibits from the text are available in PowerPoint®[3] presentation software. These slides provide a comprehensive outline of each chapter.

3. PowerPoint is a registered trademark by Microsoft Corporation. Any reference to PowerPoint refers to this footnote.

Video Supplements. Three videos are available with the text. In a light, but highly demonstrative video entitled GE Lighting Systems, GE employees, in a mock setting, test the effectiveness of the newer manufacturing concepts of JIT, total production maintenance, and total quality control against traditional manufacturing methods and compare the results. A second video, Activity-Based Costing: The Next Generation, presents a joint teleconference from the Public Broadcasting System and Robert Morris College in which three partners from Big Six firms discuss their experiences in implementing ABC systems for clients. The third video is a series of segments featuring interviews with management accountants from various companies and footage of their operations. Included are segments that show the new manufacturing environment and how such concepts as JIT and ABC are applied in real situations.

Cases in Cost Management: A Strategic Emphasis, Written by John K. Shank, Dartmouth College. This set of cases is offered for those instructors who want to augment their cost management accounting course with richer, longer "fun" problems. Each case includes specific numerical questions to challenge and help develop the students' calculation skills with cost management accounting techniques. Each case also includes broader discussion questions to sharpen the controversial aspects of the calculations and to emphasize the cost management and managerial issues behind the numbers. Accompanying the book is an instructor's manual, which contains comprehensive teaching commentaries for each of the cases.

Readings and Issues in Cost Management, Edited by James Reeve, University of Tennessee. This text is designed to expose students to the concepts and information they need to become responsive and flexible managers. Articles in the text cover topics such as TQM, employee empowerment, reengineering, continuous improvement, and short-cycle management.

ACKNOWLEDGMENTS

Many people have helped us to write this text. Survey respondents and focus group participants helped in developing a strong framework. Insightful and often extensive comments from reviewers were instrumental in developing a comprehensive and readable book. We appreciate the efforts of each of them.

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We are also grateful to Marvin Bouillon for revising the Open Road, Inc., materials. His contribution greatly enhanced the systems structure of the text and has given us new insights into the ways in which the cost management information system supports management decision making, planning, and control.

To the many students at Oklahoma State University who have reacted to the material in *Cost Management: Accounting and Control*, we owe special thanks. Students represent our true constituency. The common sense and good humor of our student reviewers has resulted in a clearer, more readable text.

We also want to express our gratitude to the Institute of Management Accountants for its permission to use adapted problems from past CMA examinations. It has also given us permission to reprint the ethical standards of con-

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Don R. Hansen and Maryanne M. Mowen

世界财经与管理教材大系

作者寄语

“应时之杰作，当代学子必读”。

时代和商情在变，课本亦须改变。

二十年前我就开始教学，其时美国经济中为生产服务的部门的地位无足轻重；而今天，全面质量管理、作业成本法、战略成本管理等服务管理体系举足轻重。

二十年前的商业世界与今天相比大相径庭，因此更换课本的时候到了！学生急需好课本，本书不负众望！

本教材对新兴成本管理方法与传统成本管理方法的优缺点进行了重点比较，深入探讨了经济领域出现的新问题，来自您身边的实例使您身临其境！

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Brief Contents

1 Introduction to Cost Accounting and Cost Management 1



Part 1 Fundamental Cost Management Concepts

2 Basic Cost Management Concepts 30
3 Activity Cost Behavior 80



Part 2 Cost Accounting Systems

4 Product and Service Costing: Overhead Application and Job-Order System 126
5 Product and Service Costing: A Process Systems Approach 180
6 Support Department Cost Allocation 231
7 Joint Product and By-product Costing 268

Contemporary Cost Accounting

8 Activity-Based Costing 300
9 Strategic Cost Management, Life Cycle Cost Management, and JIT 353



Part 3 Decision Making: Traditional and Contemporary Approaches

10 Cost-Volume-Profit Analysis 410
11 Activity Resource Usage Model and Relevant Costing: Tactical Decision Making 463
12 Capital Investment Decisions 502
13 Inventory Management: Economic Order Quantity, JIT, and the Theory of Constraints 550
14 Pricing and Revenue Analysis 589
15 Profitability Analysis 619



Part 4 Cost Planning and Control Systems

16 Budgeting for Planning and Control 676
17 Standard Costing: A Traditional Control Approach 727
18 Decentralization: Responsibility Accounting, Performance Evaluation, and Transfer Pricing 774
19 International Issues in Cost Management 819

Contemporary Control Systems

20 Contemporary Responsibility Accounting 855
21 Quality Costing: Measurement and Control 906
22 Productivity: Measurement and Control 951

Contents

1 Introduction to Cost Accounting and Cost Management 1

FINANCIAL, MANAGEMENT, AND COST ACCOUNTING 2

THE EVOLUTION OF ACCOUNTING 3
Early Accounting Systems 3 Accounting in the Twentieth Century 4

EMERGING THEMES IN COST ACCOUNTING 6
Customer Orientation 6 Total Quality Management 6 Time as a Competitive Element 7 Advances in Information Technology 7 Advances in the Manufacturing Environment 8 Growth of the Service Industry 10 Global Competition 10

A SYSTEMS APPROACH 10

COST MANAGEMENT—A CROSS-FUNCTIONAL PERSPECTIVE 12
The Need for Flexibility 13 Behavioral Impact of Cost Information 13

THE ROLE OF TODAY'S COST AND MANAGEMENT ACCOUNTANT 13
Line and Staff Positions 14 Information for Planning, Controlling, and Decision Making 14

ACCOUNTING AND ETHICAL CONDUCT 16
Ethical Behavior 16 Standards of Ethical Conduct for Management Accountants 17 Ethical Conduct 19

CERTIFICATION 20
The CMA 20 The CPA 20 The CIA 21



PART 1
FUNDAMENTAL COST MANAGEMENT CONCEPTS

■ *2 Basic Cost Management Concepts 30*

A SYSTEMS FRAMEWORK 31
Accounting Information Systems 31 Relationship to Other Operational Systems and Functions 34 Different Systems for Different Purposes 36

COST ASSIGNMENT: DIRECT TRACING, DRIVER TRACING, AND ALLOCATION 37
Cost Objects 37 Accuracy of Assignments 38

PRODUCT AND SERVICE COSTS 42
Different Costs for Different Purposes 42 Product Costs and External Financial Reporting 43

EXTERNAL FINANCIAL STATEMENTS 46
Income Statement: Manufacturing Firm 46 Income Statement: Service Organization 48

ACTIVITY DRIVERS AND COST BEHAVIOR 48
Cost Behavior Concepts 48 Fixed Costs 50 Variable Costs 52 Mixed Costs 54

TRADITIONAL AND CONTEMPORARY COST MANAGEMENT SYSTEMS 55
Traditional Cost Management Systems: A Brief Overview 55 Contemporary Cost Management Systems: A Brief Overview 56 Choice of a Cost Management System 58