

Subject Index

Note: Page references followed by “n” indicate material in footnotes.

A

A/P schedule. *See* accounts payable schedule

A/R schedule. *See* accounts receivable schedule

ABC. *See* activity-based costing (ABC)

absorption costing, 12-3

balance sheet implications, 12-2, 12-8–12-9, 12-13–12-14

capacity usage, impacts of, 12-4–12-6

components of unit's cost, 12-3

cost of goods sold, 12-14–12-15

and decision-making, 12-6–12-7

fixed manufacturing overhead, 12-4, 12-8

fixed-MOH volume variance, 12-4–12-6, 12-5

how absorption costing works, 12-3–12-6

income statement implications, 12-2, 12-8–12-10, 12-14–12-17

inventory costs, 12-13–12-14

operating income, 12-14–12-15

purpose of, 12-3

in standard costing, 12-3

in traditional costing, 12-3

versus variable costing, 12-2, 12-13–12-17

account analysis method, 3-9–3-10

accountability, 6-9, 17-7–17-8

accountants

being numerate, 13-27

certified management accountant (CMA), 1-19

certified public accountants (CPAs), 1-19

data analytics and, 13-25–13-27

data visualizations, 13-26–13-27

professional skills, 13-25

scope of accounting roles, 1-11

skills, 1-11

soft skills, 13-25

top five skills for entry-level accountants, 13-25–13-26

and the whole picture, 1-9

accounting, 18-14

accounting rate of return (ARR), 7-24–7-25

accounts payable schedule, 6-30–6-31

accounts receivable, 18-12

accounts receivable schedule

cash collections, 6-28–6-29

cash receipts, 6-28–6-29

activities

allocated MOH for activity, 9-15

classifying, using cost hierarchy, 9-13

as cost pools, 9-7–9-9

denominator volume, 9-15

financing activities, 7-2

identification of, 9-15

investing activities, 7-3

non-value-added activities, 9-8–9-9, 13-23

operating activities, 7-3

value-added activities, 1-15–1-16

value chain, 1-16

activity-based costing (ABC), 9-3

activities, as cost pools, 9-7–9-9

activities, identification of, 9-15

advantages, 9-3–9-4, 9-20

better cost information with, 9-4–9-6

broader outcomes, 9-21–9-22

calculating ABC, 9-17–9-19

cost driver rates, 9-15–9-16

cost drivers, 9-9–9-10, 9-15

cost hierarchy, 9-10–9-13

decision-making outcomes, 9-19–9-26

direct costs, identification of, 9-14

disadvantages, 9-20

evaluation of outcomes, 9-17–9-19

implementation process, 9-14

information analysis, 9-6–9-7

versus job costing, 9-1–9-7

manufacturers, 9-19

manufacturing overhead (MOH), 9-15–9-16

merchandisers, 9-19

MOH costs, recording, 9-16–9-17

nonmanufacturing activity cost pools, 9-20

nonprofit organizations, 9-20

product cost subsidizing, 9-6

product costing, 9-13–9-19

product costs, impact on, 9-19

reasons to use ABC, 9-19–9-21

and related cost drivers, 9-4

service costs, impact on, 9-19

service organizations, 9-20, 9-21

TDABC transaction costs, 9-23

time-driven activity-based costing (TDABC), 9-22–9-26

time equations, 9-23–9-24

underallocated (idle) time, 9-24–9-25

activity-based rate (cost driver rate), 9-15

activity level, 4-9

actual costing, 8-5–8-6, 8-13

actual manufacturing overhead (MOH), 8-10–8-11, 8-14, 8-19–8-20

actual MOH rate, 8-13

actual usage of cost driver, 8-12, 8-13

advance pricing agreement (APA), 17-28n

AICPA. *See* American Institute of Certified

Public Accountants (AICPA)

air conditioning costs, 3-3

airline fees, 9-0

allocated fixed costs, 5-27

allocated MOH for activity, 9-15

allocation bases, 8-12, 14-6–14-7

allocation methods

see also specific allocation methods

bundled revenues, 14-22–14-23

choosing an allocation method, 15-8

common costs, 14-20–14-22

joint costs, 15-4–15-9

support department costs, 14-8–14-23

Alteryx, 13-15

American Institute of Certified Public

Accountants (AICPA), 1-18, 1-19–1-21

analysis, 1-9

see also specific types of analysis

analysis paralysis, 5-2

analytical aspirations, 13-4

analytical companies, 13-5

analytical competitors, 13-5

analytics aware, 13-4

annual net operating cash flows, 7-18

annuities

compounding an annuity due, 7-11

compounding annuities, 7-9–7-11, 7-12–7-13

discounting annuities, 7-11–7-13

annuity due, 7-10, 7-11, 7-60–7-61

antitrust laws, 16-20

APA. *See* advance pricing agreement (APA)

applied fixed-MOH, 12-4

applied manufacturing overhead (MOH), 8-7,

8-10–8-13, 8-14–8-15, 8-17, 8-19–8-20

applied MOH under actual costing, 8-13

applied MOH under normal costing, 8-12

Ardern, Jacinda, 5-0

arm's length standard, 17-28

Armstrong, Lance, 1-22

ARR. *See* accounting rate of return (ARR)

asset turnover, 17-14

association rules, 13-19

assumption of linearity, 3-25

authority, 6-9, 17-7

autonomy, 6-8, 17-2–17-3

avoidable costs, 5-5

B

backward vertical integration, 17-19

balance sheet

absorption costing, 12-2, 12-8–12-9,

12-13–12-14

Finished Goods (FG) Inventory, 2-24–2-25

flow of costs, 2-21–2-28

flow of job costs, 8-16

job costing, 8-21–8-22

pro forma, 6-10

Raw Materials (RM) Inventory, 2-22–2-23

tracing costs, 2-27–2-28

variable costing, 12-2, 12-11, 12-13–12-14

Work-in-Process (WIP) Inventory, 2-23–2-24

balanced scorecard (BSC), 1-4, 1-5–1-8, 18-2, 18-15

and business strategy, 18-17–18-19

cost leader, 18-19–18-20

customer perspective, 18-16, 18-19, 18-20

financial perspective, 18-16, 18-19, 18-20

four perspectives, 18-16–18-17

internal business process perspective, 18-16,

18-19

learning and growth perspective, 18-17,

18-19

organizational balanced scorecard, 1-6–1-7

personal balanced scorecard, 1-7–1-8

product differentiator, 18-21–18-22

success, evaluation of, 18-20–18-21

bargaining power of suppliers, 18-4

batch-level costs, 9-12

behavior modification, and budgeting, 6-2–6-3

benchmarking, 10-2–10-3

beneficiary perspective, 1-7

biases, 13-19
big data, 4-15, 13-2
 challenges and opportunities, 13-3–13-6
 in cost accounting, 13-3
 types of, 13-2–13-3
big picture thinking, 1-10–1-14
bill of materials, 8-7, 8-8, 10-11
Black Friday, 4-6
Bloom, Benjamin, 1-24–1-25
Bloom's Taxonomy, 1-24–1-25
bonuses, 18-11
bottom line, 4-17
break-even
 after break-even analysis, 4-6–4-8
 break-even point, 4-2, 4-7
 break-even sales point, 4-5
 contribution margin, 4-2–4-4, 4-7–4-8
 multiple products, 4-14–4-17
 observations on break-even point, 4-7
 sales in dollars to achieve target profit, 4-13
 sales in dollars to achieve target profit after-tax, 4-13
 sales in dollars to break even, 4-5–4-6
 sales in units to achieve target profit, 4-13
 sales in units to achieve target profit after-tax, 4-13
 sales in units to break even, 4-4–4-5, 4-12–4-13
 target profit, 4-12–4-13
 target profit after-tax, 4-13–4-14
 unit sales to break even with multiple products, 4-15
break-even point, 4-2, 4-7
 see also break-even
break-even sales point, 4-5
Brexit, 10-31
BSC. *See* balanced scorecard (BSC)
budget, 6-2
 see also budgeting
 financial budget. *See* financial budget
 flexible budget, 10-7–10-10
 imposed budget, 6-4
 master budget. *See* master budget
 operating budget. *See* operating budget
 participative budget, 6-5
 rolling budget, 6-3–6-4
 types of budgets, 6-3–6-5
 zero-based budgets, 6-4, 6-6–6-7
budgetary slack, 6-5
budgeted accounts payable balance, 6-29–6-31
budgeted accounts receivable balance, 6-26–6-29
budgeted cash balance, 6-31–6-33
budgeted cash receipts, 6-28
budgeted cost of DM to be purchased, 6-16
budgeted cost of DM used, 6-20
budgeted cost of goods manufactured (COGM), 6-20
budgeted cost of goods sold (COGS), 6-20
budgeted direct labor cost, 6-18
budgeted direct labor hours needed, 6-18
budgeted ending DM inventory balance, 6-25
budgeted ending FG inventory balance, 6-25
budgeted fixed-MOH rate, 12-4, 12-7, 12-18
budgeted inventory balance, 6-25–6-26
budgeted MOH cost, 6-19, 8-19
budgeted MOH (for specific job), 8-13–8-14
budgeted MOH rate, 8-12
budgeted net income, 6-23, 16-11

budgeted operating income, 6-23, 16-11
budgeted profit per unit, 16-12
budgeted quantity of DM to be purchased, 6-16
budgeted sales revenue, 6-13
budgeted selling, general, and administrative (SG&A) expenses, 6-21
budgeted units to be produced, 6-15
budgeted usage of cost driver, 8-14
budgeted variable-MOH costs, 6-19
budgeting
 see also budget
 and behavior modification, 6-2–6-3
 benchmarking, 10-2–10-3
 budgetary slack, 6-5
 capital budgeting. *See* capital budgeting
 control, 10-3–10-4
 ethical considerations, 6-5–6-7
 financial budget. *See* financial budget
 management control system, 17-5
 master budget. *See* master budget
 motivating, 10-2–10-3
 nonprofit organizations, 6-36–6-37
 operating budget. *See* operating budget
 “padding the budget,” 6-5
 performance evaluation, 10-4–10-5
 planning, 10-3–10-4
 priorities, 6-6–6-7
 purpose of, 10-2–10-6
 reasons to budget, 6-2–6-7
 resources to budget, 6-2
 retailers, 6-35–6-37
 and self-discipline, 6-3
 service organizations, 6-36–6-37
 troubleshooting, 10-4
 use it or lose it, 6-5–6-6
bundled revenues, 14-22–14-23
business processes perspective, 1-7
business strategy. *See* strategy
business unit, 6-8, 17-3
buyer's objectives, 17-21–17-22
by-products, 15-2, 15-13–15-20

C

California Consumer Privacy Act (CCPA), 13-11
capacity, 2-17, 4-10
 capacity usage, impacts of, 12-4–12-6
 constraints, and transfer pricing, 17-22–17-23
 idle capacity, 12-18, 17-22
 managing capacity, 12-18, 12-20
 nonproductive capacity, 12-18
 normal capacity, 9-15, 12-19, 12-20
 practical capacity, 9-15, 12-19, 12-20
 production capacity, 12-4
 productive capacity, 12-18
 of seller, 17-22–17-23
 and special orders, 16-6
 theoretical capacity, 9-15, 12-19, 12-20
capacity costs, 2-19–2-20
capital budgeting, 7-2
 cash flows, 7-9–7-13
 the circle of life of businesses, 7-2–7-4
 compounding annuities, 7-9–7-11, 7-12–7-13
 decision-making framework, 7-30
 decision-making model, 7-29–7-33
 depreciation tax shield, 7-15–7-16
 discount rate, 7-13–7-14
 discounting annuities, 7-11–7-13
 elements of capital budgeting decisions, 7-6–7-17
 evaluation after implementation, 7-33–7-34
 evaluation tools. *See* capital budgeting tools
 lump sums, 7-10
 performance evaluation, 7-33–7-34
 post-investment audit, 7-33, 7-34
 return on investment (ROI), 7-4–7-5
 sensitivity analysis, 7-27–7-29
 tax rate, 7-14–7-15
 time value of money, 7-7–7-9
 timelines, 7-6–7-7
capital budgeting tools
 accounting rate of return (ARR), 7-24–7-25
 decision-making, 7-29–7-33
 internal rate of return (IRR), 7-20–7-22, 7-26
 net present value (NPV), 7-17–7-20
 payback period, 7-22–7-24, 7-27
 profitability index, 7-25, 7-27
 use of, 7-26–7-27
career, 1-8
cash
 cash impacts. *See* cash impacts
 financing activities, 7-2
 investing activities, 7-3
 operating activities, 7-3
 savings, 7-14–7-15
cash balance
 budgeted cash balance, 6-31–6-33
 minimum cash balance, 6-32
cash collections, 6-26–6-29
cash disbursements, 6-26, 6-29–6-31
cash flows
 after-tax cash flows, 7-14
 annual net operating cash flows, 7-18
 capital budgeting, 7-9–7-13
 estimates, 7-17
 and NPV analysis, 7-17–7-18
 operating cash flow, 18-12
cash impacts
 of cost of goods sold, 6-20
 from direct labor budget, 6-18
 from direct materials purchases budget, 6-16
 from manufacturing overhead budget, 6-19
 of non-operating expenses budget, 6-23
 of production budget, 6-15
 from sales, 6-13–6-14
 of selling, general, and administrative expenses budget, 6-22
cash management, 6-27
cash receipts, 6-26–6-29
cash sales, 6-27
cause and effect, 3-0, 3-3
CCPA. *See* California Consumer Privacy Act (CCPA)
centralization, 6-8, 17-2, 17-3–17-4
certified management accountant (CMA), 1-19
certified public accountants (CPAs), 1-19
CFO. *See* chief financial officer (CFO)
Chartered Global Management Accountants (CGMAs), 1-19
chief financial officer (CFO), 1-11
Children's Online Privacy Protection Act (COPPA), 13-11
the circle of life of businesses, 7-2–7-4
cleaning data, 13-12
clearing account, 8-10
CM. *See* contribution margin (CM)

- CMA. *See* certified management accountant (CMA)
- Code of Professional Conduct* (AICPA), 1-21
- coefficient of determination (R^2), 3-21
- COGM. *See* cost of goods manufactured (COGM)
- COGS. *See* cost of goods sold (COGS)
- collusive pricing, 16-19–16-20
- commission, 18-11
- commodity processes, 5-9
- common costs, 14-20–14-22
- common fixed costs, 5-26–5-27
- company culture, 13-4
- compensation, 18-11
- competitive advantage, 1-3
- competitive markets, 16-3
- competitive rivalry, 18-4
- competitors, and pricing, 16-4
- compounding, 7-7–7-9
- compounding an annuity due, 7-11
- compounding annuities, 7-9–7-11, 7-12–7-13
- comprehensive sales activity variance, 10-33–10-38
- concept maps, 1-26
- constant variance of the residuals, 3-23
- constrained resources, 5-15–5-16
- continuing professional education (CPE), 1-23
- contribution margin (CM), 2-29–2-31, 4-2–4-4
for break-even, 4-7
and comprehensive sales activity variance, 10-34
and decision-making, 4-4
per unit, 4-4–4-5
product-mix decisions, 5-16–5-20
weighted-average contribution margin (WACM), 4-15
- contribution margin income statement, 2-29, 2-30, 4-3–4-4
- contribution margin per unit, 4-3
- contribution margin ratio, 4-6
- control, 10-3–10-4
- controllability, 6-8
- controller, 1-11
- conversion costs, 2-15–2-16, 11-5, 11-8
- COPPA. *See* Children's Online Privacy Protection Act (COPPA)
- core processes, 5-8
- coronavirus. *See* COVID-19 pandemic
- cost accounting
big data in, 13-3
and Bloom's Taxonomy, 1-25–1-26
cost accountant's multipurpose tool, 1-12
cost accounting tools, 1-17
and data analytics, 1-14, 13-3, 13-23–13-27
versus financial accounting, 1-11, 1-12, 7-4
purpose of, 1-9–1-17
- cost accounting tools, 1-17
- cost allocation methods. *See* allocation methods
- cost assignment, 2-11–2-16, 11-21–11-25
- cost-based transfer prices, 17-23–17-25
- cost behavior, 1-9
basics of, 3-2–3-9
cost drivers, 3-2–3-3
linear cost function, 3-5–3-6, 3-7–3-8
and relevant range, 3-3–3-9
- cost center, 6-9, 6-10, 17-8–17-9
- cost driver rates, 9-15–9-16
- cost drivers, 3-2–3-3, 8-12, 8-13, 9-2, 9-9–9-10, 9-15
- cost estimation
account analysis method, 3-9–3-10
high-low method, 3-10–3-11, 3-14–3-15
methods, 3-9–3-15
regression method, 3-15–3-28
scatter plot, 3-12–3-15
sophisticated cost estimation, 3-15–3-28
- cost hierarchy, 9-10–9-13
- cost leader, 18-5, 18-18–18-19, 18-19–18-20
- cost leadership, 18-5–18-6
- cost object, 2-14–2-15
- cost of goods available for sale, 2-26
- cost of goods manufactured (COGM), 2-25–2-26, 8-24, 11-2
budgets, 6-20
job costing, 11-4
process costing, 11-4
valuing, 11-13
- cost of goods manufactured (COGM) budgets, 6-20
- cost of goods sold (COGS), 2-8–2-9, 2-26–2-27, 10-18
absorption costing, 12-14–12-15
budgets, 6-20–6-21
calculation of, 8-24
cash impacts, 6-20
movement of costs, 8-20–8-21
schedules, 2-26
and selling costs, 8-23
variable costing, 12-14–12-15
writing off MOH variances, 10-30–10-31
- cost of sales, 6-36
- cost per equivalent unit, 11-17–11-20
- cost-plus method, 16-9–16-14
- cost-plus price per unit, 16-12
- cost pool, 8-19, 9-7–9-9
- cost-volume-profit (CVP) analysis, 4-8
CVP relationships, understanding, 4-9
margin of safety, 4-10–4-11
performing CVP analysis, 4-11–4-12
relevant range, 4-10
service organizations, 4-21–4-22
- costing, 1-15
- costing systems. *See* specific costing systems
- costs, 2-3–2-4
see also cost behavior
assigning costs, 2-11–2-16
avoidable costs, 5-5
batch-level costs, 9-12
budgeted direct labor cost, 6-18
budgeted MOH cost, 6-19
budgeted variable-MOH costs, 6-19
of capacity, 2-19–2-20
capitalization of costs, 8-27
common costs, 14-20–14-22
conversion costs, 2-15–2-16, 11-5, 11-8
of data, 13-10–13-13, 13-25
deferred costs, 12-8
defining costs, 2-11–2-16
differential costs, 5-5
direct costs, 2-14–2-15, 2-16, 9-14
direct materials (DM) costs, 11-8
estimating costs. *See* cost estimation
versus expenses, 2-3–2-4
facility-level costs, 9-11, 9-12
fixed costs. *See* fixed costs
full cost, 2-30–2-31, 9-5, 16-10
further processing costs, 15-2
future costs, 3-6, 3-15, 5-5
- indirect costs, 2-14–2-15, 2-16
- inventoriable costs, 2-22
- joint costs. *See* joint costs
- learning curve, impact of, 3-31
- manufacturers, 2-10–2-11
- manufacturing costs, 2-12–2-14, 2-16
- manufacturing overhead (MOH). *See* manufacturing overhead (MOH)
- merchandisers, 2-8–2-10
- mixed costs, 3-4–3-5
- nonlinear costs, 3-29–3-33
- nonmanufacturing costs, 2-12–2-14, 2-16
- opportunity costs, 2-4–2-5, 5-22–5-25
- overview of, 2-2–2-6
- period costs, 2-12, 2-13, 2-14, 2-16, 8-3–8-4, 12-10
- personnel costs, 14-3
- prediction, 3-22–3-23
and pricing, 16-4
- prime costs, 2-15–2-16, 2-16
- product costs, 2-12, 2-13, 2-14, 2-16, 8-16, 9-19, 11-25
- product/process-level costs, 9-11, 9-12
- relationship between cost, price, and profit, 16-2
- relevant costs. *See* relevant costs
- relevant range, 2-19–2-20, 3-3–3-9
- separable costs, 15-2
- service costs, 9-19
- service department costs, 14-2
- service providers, 2-7–2-8
- standard costs, 10-14
- step-fixed costs, 3-4
- sunk costs, 2-5, 5-5–5-6
- support department costs, 14-2–14-4
- synonymous terms for various costs, 2-16
- total unit costs, 11-31
- tracing costs from balance sheet to income statement, 2-27–2-28
- transferred-in costs, 11-26–11-31
- unit-level costs, 9-12
- variable costs, 2-16–2-17, 2-18–2-19, 3-3, 3-4, 3-5, 4-19
- COVID-19 pandemic, 5-0, 10-0, 11-31, 12-0
- CPA. *See* certified public accountants (CPAs)
- CPE. *See* continuing professional education (CPE)
- credit sales, 6-13, 6-27–6-28
- critical processes, 5-8
- critical success factors, 1-3, 18-2
- cruising costs, 2-0
- currency, 7-17
- customer perspective, 1-6, 18-16, 18-19, 18-20
- customer relationship management (CRM), 13-9
- customer service, 1-15
- customer solutions, 18-6
- customer value proposition, 18-6
- customers
power of, 18-4
and pricing, 16-4
- CVP analysis. *See* cost-volume-profit (CVP) analysis

D

- dashboards, 13-15
- data, 13-7
see also data analytics

data (*continued*)

- big data. *See* big data
- cleaning data, 13-12
- consumer data, 13-12
- cost of data, 13-10–13-13
- ethical considerations, 13-10–13-13
- external data, 13-7–13-9
 - and “fake news,” 13-7
- hard data, 13-7
- identifier, 13-10
- versus* information, 13-7
- internal data, 13-7, 13-9, 13-10
- manipulation of data, 13-12–13-13
- overview of, 13-2
- principles of data usage, 13-12
- qualitative data, 13-8
- quantitative data, 13-8
- reduction of data costs, 13-25
- retrieval of data, 13-12–13-13
- soft data, 13-7
- sources, 13-7–13-9
- storage, 13-9–13-10
- structured data, 13-2, 13-10, 13-12
- unstructured data, 13-2, 13-3, 13-10

data analytics, 1-14, 13-3

- see also* data analytics in action
- accounting careers, 13-25–13-27
- application of data analytics techniques, 13-21–13-23
- categories of, 13-13–13-23
- challenges and opportunities, 13-3–13-6
 - and cost accounting, 1-14, 13-3
- cost accounting outcomes, 13-23–13-25
- to create opportunities, 13-5–13-6
- from data to decisions, 13-13, 13-23
- decision-making, 13-6–13-7, 13-9
- descriptive analytics, 1-14, 13-15–13-17
- diagnostic analytics, 1-14, 13-18
- non-value-added activities, elimination of, 13-23
- performance evaluation, 13-24
- predictive analytics, 1-14, 13-19–13-20
- prescriptive analytics, 1-14, 13-20–13-21
- problem solving with, 1-14
- relevance of, 1-14
- role in cost accounting problem solving, 13-23–13-27
- role of, 13-4–13-5
- strategy formation, 13-24–13-25
- supply chain management, 13-24
- types of data analytics techniques, 1-14

data analytics in action

- see also* data analytics
- analysis paralysis, 5-2
- balanced scorecard, 18-18
- banks, and loan collections, 6-27
- baseball data, 17-11
- big data, 4-15
- budgeting, 6-2
- by-products, 9-24
- call centers, 14-16
- career guidance, 14-5
- coffee trends, 4-2
- competition data, 10-13
- cost behavior, 1-9
- cost management, 2-8
- costly data, 13-11
- financial costing advisor, 9-5
- home purchases, 7-15
- Internet of Things (IoT), 8-4
- location scouting, 7-2
- machine learning (ML), 12-7
- meeting the challenges, 13-4
- nonprofits, and volume of service, 4-21
- parking prices, 16-19
- price changes, 13-20
- pricing, 16-10
- process costing, 11-3
- process improvements, 10-4
- product-mix decisions, 5-15
 - and professional sports, 1-14
- RFID (radio-frequency identification), 8-26
- scatter plots, 3-12
- snap cap example, 2-17
- traffic patterns, 3-2
- variances, calculation of, 10-24
- waste reduction, 15-14

data brokers, 13-8

data-driven culture, 13-4

data visualization, 4-2, 13-15, 13-26–13-27

death spiral, 12-20–12-21

decentralization, 6-8, 17-2–17-4

decision-making, 1-9, 1-10–1-14

- and absorption costing, 12-6–12-7
- activity-based costing (ABC), 9-19–9-26
- by-products, 15-13–15-20
- capital budgeting. *See* capital budgeting
- and contribution margin, 4-4
- data analytics, 13-6–13-7, 13-9
- decision-making framework, 5-2–5-4, 7-30
- denominator decisions, 12-17–12-22
 - and fixed costs, 5-25–5-28
- insource-*versus*-outsource, 5-7–5-11
- internal decision-making, 1-10–1-11
- investment decision, 7-2
 - and job costing, 8-26–8-29
- joint costs, 15-10–15-13
- keep-*versus*-drop, 5-11–5-14
- learning curve and, 3-32–3-33
- numerate decision-makers, 13-19
- and opportunity costs, 5-22–5-25
- and performance evaluation, 15-12
- prediction models, 13-19
- product-mix decisions, 5-14–5-20
 - and relevant costs. *See* relevant costs
- relevant information, 5-4–5-5
- scrap, 15-13–15-20
- sell-or-process-further decisions, 15-10–15-13
- special orders, 5-20–5-22, 16-6–16-8
- time-driven activity-based costing (TDABC), 9-25–9-26

decision-making framework, 1-12–1-13

deferred costs, 12-8

degree of completion, identification of, 11-7–11-13

degree of operating leverage (DOL), 4-18–4-19

delegation, 17-3

denominator volume, 9-15, 12-17–12-22

departmental rates, 9-3

depreciation, 7-15n

depreciation expense, 8-21

depreciation tax shield, 7-15–7-16, 7-18

descriptive analytics, 1-14, 13-15–13-17

descriptive diagrams, 1-26

design, 1-15

diagnostic analytics, 1-14, 13-18

diagrams, 1-26

differential approach, 5-6

differential costs, 5-5

direct costs, 2-14–2-15, 2-16, 9-14

direct fixed costs, 5-25–5-26

direct labor (DL), 1-15, 2-12, 2-14, 2-15, 8-2–8-3, 8-12, 8-17, 8-18–8-19, 10-12

direct labor (DL) budget, 6-16, 6-17–6-18

direct labor (DL) standards, 10-13–10-14

direct labor (DL) variances, 10-22–10-24

direct materials (DM), 1-15, 2-12, 2-14, 2-15, 2-23, 8-2–8-3, 8-12, 8-17, 10-12

direct materials (DM) costs, 11-8

direct materials (DM) purchases budget, 6-16–6-17

direct materials (DM) standards, 10-13

direct materials (DM) variances, 10-17–10-21, 10-23–10-24

direct materials used, 2-23

direct method, 14-8–14-10, 14-16–14-17

direct write-off method, 8-22

discount rate, 7-13–7-14

discounted payback period, 7-23–7-24, 7-27

discounting, 7-7–7-9

discounting annuities, 7-11–7-13

discounts, 6-28

distribution, 1-15

division, 14-2

DL. *See* direct labor (DL)

DL efficiency variance, 10-22

DL price variance, 10-22

DM. *See* direct materials (DM)

DM efficiency variance, 10-18–10-19

DM price variance, 10-17–10-18

DOL. *See* degree of operating leverage (DOL)

downstream, 17-19

downward demand spiral, 12-20–12-21

dumping, 16-20

DuPont method, 17-15

Dweck, Carol, 1-23

E

early payment discount, 6-28

earnings before interest, taxes, depreciation, and amortization (EBITDA), 18-12

earnings before interest and taxes (EBIT), 18-12

earnings management, 11-13

earnings per share (EPS). *See* earnings before interest and taxes (EBIT)

EBIT. *See* earnings before interest and taxes (EBIT)

EBITDA. *See* earnings before interest, taxes, depreciation, and amortization (EBITDA)

economic plausibility, 3-21, 3-24

economic value added (EVA®), 17-16–17-17, 18-12

EDGAR, 13-10, 14-2n

efficiency variance, 10-17

- DL efficiency variance, 10-22
- DM efficiency variance, 10-18–10-19
- variable-MOH efficiency variance, 10-24–10-25

emergency room (ER), 14-0

employee timesheet. *See* labor timesheet

empowerment, 17-3

end-of-period cost assignment, 11-21–11-25

enterprise resource planning (ERP), 13-9

equilibrium point, 16-3

equivalent units of production (EU), 11-13–11-20

errors, 13-19
 estimates, 7-14-7-15
 estimating costs. *See* cost estimation
 ethical principles, 1-19, 1-20
 ethics
 and budgeting, 6-5-6-7
 Code of Professional Conduct (AICPA), 1-21
 and data, 13-10-13-13
 ethical principles, 1-19, 1-20
 to guide purpose, 1-21-1-22
 IMA Statement of Ethical Professional Practice, 1-19, 1-20, 1-21
 importance of, 1-17-1-18
 and job costing, 8-27-8-29
 misrepresentation of completion of job, 8-28-8-29
 overcharging, 8-27-8-28
 undercharging, 8-28
 EU. *See* equivalent units of production (EU); European Union (EU)
 European Union (EU), 13-11
 EVA. *See* economic value added (EVA)
 Excel
 descriptive analytics, 13-15
 Goal Seek, 5-12-5-14
 intercept term, 3-22
 internal rate of return (IRR), 7-20-7-22
 reciprocal method, 14-13-14-15
 regression analysis, 3-16-3-19, 3-22
 scatter plots, 3-12-3-13
 Solver function, 5-17-5-20
 expenditure, 2-4
 expenses, 2-4
 versus costs, 2-3-2-4
 and financial statements, 2-2-2-3
 interpretation of, 2-2-2-3
 operating unit, 14-2
 product *versus* period costs, 2-14
 total expenses, 18-12
 vertical analysis, 2-5-2-6
 external benchmarking, 10-2n
 external data, 13-7-13-9
 external financial reports. *See* financial statements

F

facility-level costs, 9-11, 9-12
 factory, 2-13
 Fair Credit Reporting Act, 13-11
 FASB. *See* Financial Accounting Standards Board (FASB)
 Federal Trade Commission Act, 13-11
 FG Inventory. *See* Finished Goods (FG) Inventory
 FIFO. *See* first-in, first-out (FIFO) method
 financial accounting, 1-11, 1-12, 7-4
 Financial Accounting Standards Board (FASB), 1-18, 14-22
 financial budget, 6-24
 budgeted accounts payable balance, 6-29-6-31
 budgeted accounts receivable balance, 6-26-6-29
 budgeted cash balance, 6-31-6-33
 budgeted inventory balance, 6-25-6-26
 cash collections, 6-26-6-29
 cash disbursements, 6-29-6-31
 cash receipts, 6-26-6-29
 creating a financial budget, 6-33-6-34
 financial managers, 1-11
 financial metrics, 17-9
 financial performance measures, 1-6, 18-12-18-13
 financial perspective, 1-6, 18-16, 18-19, 18-20
 financial statements
 see also specific financial statements
 creation of, 1-11
 expenses, interpretation of, 2-2-2-3
 flow of costs, 2-21-2-28
 manufacturers, 2-10-2-11
 merchandisers, 2-9-2-10
 pro forma, 6-10
 revenues, interpretation of, 2-2-2-3
 financial stewardship perspective, 1-7
 financial transactions, and management decision-making, 1-10
 financing activities, 7-2
 financing needs, 6-26
 Finished Goods (FG) Inventory, 2-22, 2-24-2-25, 8-20-8-21, 10-12, 11-21-11-25, 12-14
 first-in, first-out (FIFO) method, 11-6, 11-9-11-10, 11-12-11-13
 conversion to equivalent units, 11-14-11-15, 11-16-11-17
 cost assignment, 11-22-11-23
 cost per equivalent unit, 11-18
 determining status of physical units, 11-14-11-15, 11-16-11-17
 transferred-in costs, 11-26-11-28
 fixed costs, 2-17-2-21, 3-3-3-4, 3-5
 adjusting fixed costs, 5-28
 allocated fixed costs, 5-27
 calculating fixed costs, 2-20-2-21
 common fixed costs, 5-26-5-27
 and decision-making, 5-25-5-28
 direct fixed costs, 5-25-5-26
 explaining fixed costs, 2-20-2-21
 flexible budget, 10-8-10-9
 on per-unit basis, 2-20
 and relevant range, 2-19-2-20
 total fixed costs, 2-20
 fixed mindset, 1-23-1-24
 fixed-MOH, 8-3, 10-13
 absorption costing, 12-4, 12-8
 applied fixed-MOH, 12-4
 budgeted fixed-MOH rate, 12-4, 12-7, 12-18
 denominator volumes, 12-17-12-22
 fixed-MOH variances, 10-26-10-28, 12-4-12-6
 variable costing, 12-11
 fixed-MOH price variance, 10-26, 12-5
 fixed-MOH spending variance. *See* fixed-MOH price variance
 fixed-MOH variances, 10-26-10-28, 12-4-12-6
 fixed-MOH volume variance, 10-26-10-27, 12-4-12-6, 12-5
 flexible budget, 10-7-10-10
 flexible budget variance, 10-8-10-9
 flow of costs, 2-21-2-28
 forward vertical integration, 17-19
 freight-in, 8-17
 front office, 2-13
 Frozen/Frozen 2, 6-0
 full cost, 2-30-2-31, 9-5, 16-10
 further processing costs, 15-2

future costs, 3-6, 3-15, 5-5
 future value of a single sum (FV), 7-7-7-9, 7-52-7-53
 future value of an annuity (FVA) due, 7-11
 future value of an ordinary annuity (FVA), 7-10, 7-56-7-57
 FV. *See* future value of a single sum (FV)
 FVA. *See* future value of an ordinary annuity (FVA)

G

GAAP (Generally Accepted Accounting Principles), 1-11, 4-9, 7-15n, 12-3, 12-8
 General Data Protection Regulation (GDPR), 13-11
 general ledger, 8-6, 11-5
 Generally Accepted Accounting Principles. *See* GAAP (Generally Accepted Accounting Principles)
 goal congruence, 17-4-17-5
 Goal Seek function (Excel), 5-12-5-14
 goals, 1-3, 1-5, 6-7, 18-2, 18-10
 goodness of fit, 3-21, 3-24
 governing bodies in accounting, 1-18-1-21
 Gramm Leach Bliley Act, 13-11
 gross margin, 2-10, 2-28-2-31, 11-31, 15-16, 18-12
 gross margin income statement, 2-28
 gross profit, 2-10, 18-12
 growth mindset, 1-23-1-24
 growth ratios, 18-12

H

hard data, 13-7
 health, 1-7
 Health Insurance Portability and Accounting Act (HIPAA), 13-11
 high-low method, 3-10-3-11, 3-14-3-15
 HIPAA. *See* Health Insurance Portability and Accounting Act (HIPAA)
 history, 1-26
 homogeneous units, 11-2
 hourly wages, 18-11
 human resources, 18-14
 hurdle rate, 7-13

I

ideal standards, 10-13
 identifier, 13-10
 idle capacity, 12-18, 17-22
 idle time, 9-24-9-25
 IFRS (International Financial Reporting Standards), 1-11
 IIA. *See* Institute of Internal Auditors (IIA)
 IMA. *See* Institute of Management Accountants (IMA)
 IMA Statement of Ethical Professional Practice, 1-19, 1-20, 1-21
 imposed budget, 6-4
 “in the black,” 4-6
 “in the red,” 4-6
 inbound transactions, 17-28
 incentive pay, 18-11
 income
 net income, 4-9, 4-17, 6-23, 16-11, 18-12
 operating income, 2-28n, 4-17, 4-18, 6-23, 12-14-12-15, 16-11, 18-12
 residual income (RI), 17-16, 18-12

income statement
 absorption costing, 12-2, 12-8–12-10, 12-14–12-17
 by-products, 15-19
 contribution margin income statement, 2-29, 2-30, 4-3–4-4
 flow of costs, 2-21–2-28
 flow of job costs, 8-16
 gross margin income statement, 2-28
 job costing, 8-23–8-25
 pro forma, 6-10
 tracing costs, 2-27–2-28
 traditional GAAP income statement, 2-28, 2-29
 variable costing, 12-2, 12-11–12-13, 12-14–12-17
 incremental cost method, 14-21–14-22
 independence of the residuals, 3-23
 indirect costs, 2-14–2-15
 indirect materials, 8-17
 individual strategy, 1-4–1-5
 industry guidelines, 7-6
 information, 13-7
 infrastructure costs, 13-25
 initiatives, 1-3, 6-7, 18-2
 insource-versus-outsource, 5-7–5-11
 Institute of Internal Auditors (IIA), 1-18
 Institute of Management Accountants (IMA), 1-18, 1-19
 intercept coefficient, 3-22
 intermediate market, 17-22–17-23
 internal benchmarking, 10-2n
 internal business process perspective, 1-6, 18-16, 18-19
 internal data, 13-7, 13-9, 13-10
 internal financial reports, 1-10–1-11
 internal rate of return (IRR), 7-20–7-22, 7-26
 International Financial Reporting Standards.
 See IFRS (International Financial Reporting Standards)
 inventoriable costs, 2-22
 inventory, 2-22, 18-12
 absorption costing, 12-13–12-14
 advantages to building inventories, 12-7
 capitalized, 12-8
 deferred cost, 12-8
 disadvantages to building inventories, 12-7
 FG Inventory. *See* Finished Goods (FG) Inventory
 misstatement, 11-0
 RM Inventory. *See* Raw Materials (RM) Inventory
 variable costing, 12-13–12-14
 WIP Inventory. *See* Work-in-Process (WIP) Inventory
 invested capital, 16-11, 17-17
 investing activities, 7-3
 investment, 7-5, 16-11
 long-term assets, 7-18
 net initial investment, 7-20
 in return on investment (ROI), 7-5
 working capital investment, 7-18
 investment center, 6-9, 6-10, 17-10–17-11
 economic added value (EVA), 17-16–17-17
 evaluation of, 17-17–17-18
 performance measurement, 17-13–17-18
 residual income (RI), 17-16
 return on investment (ROI), 17-13–17-15
 investment decision, 7-2

investment turnover, 17-14
 IRR. *See* internal rate of return (IRR)

J

job, 8-2
 job cost sheet, 8-8, 8-9
 job costing, 8-2, 11-32
 accounts, 8-16–8-22
 versus activity-based costing, 9-1–9-7
 actual costing, 8-5–8-6, 8-13
 balance sheet impacts, 8-21–8-22
 cost flows, 8-16–8-22
 costing jobs and units, 8-15–8-25
 and decision-making, 8-26–8-29
 departmental rates, 9-3
 drawbacks of, 9-2–9-3
 ethical considerations, 8-27–8-29
 evaluation of decision, 8-29
 external factors, 8-27
 income statement impacts, 8-23–8-25
 information analysis, 9-6–9-7
 journal entries, 8-16–8-22
 manufacturing overhead (MOH). *See* manufacturing overhead (MOH)
 misrepresentation of completion of job, 8-28–8-29
 normal costing, 8-5–8-6, 8-12
 organization of, 8-6–8-9
 overcharging, 8-27–8-28
 overview, 8-2–8-9
 plant-wide rates, 9-2–9-3
 versus process costing, 11-3
 product cost subsidizing, 9-6
 service organizations, 8-30–8-33
 undercharging, 8-28
 veterinary practice, 8-32–8-33
 year-end adjustments, 8-22–8-23
 job number, 8-6–8-7
 joint costs, 15-2, 15-8–15-9
 allocation methods, 15-4–15-9
 by-products, 15-13–15-20
 and decision-making, 15-10–15-13
 net realizable value (NRV) method, 15-5–15-6, 15-10
 and performance evaluation, 15-12
 physical quantities method, 15-6–15-7
 production method, 15-14–15-17, 15-19
 sales method, 15-17–15-20
 sales value at split-off method, 15-4–15-5, 15-10, 15-15, 15-18
 scrap, 15-16–15-17, 15-19–15-20
 sell-or-process-further decisions, 15-10–15-13
 joint process, 15-2–15-4
 joint products, 15-2

K

Kaplan, Robert, 1-5, 9-22n, 18-15
 keep-versus-drop, 5-11–5-14
 key performance indicators (KPIs), 1-4, 6-8, 18-2–18-3
 KPIs. *See* key performance indicators (KPIs)

L

labor timesheet, 8-8, 8-9, 8-30
 lagging indicators, 18-12
 leading indicators, 18-13
 lean manufacturing, 12-7
 learning and growth perspective, 1-6, 18-17, 18-19

learning curve, 3-29–3-33
 learning how to learn, 1-23–1-26
 learning methods, 1-23, 1-26
 least squares regression, 3-15, 3-16
 see also regression method
 lenders, 7-2
 lifelong learning, 1-23
 line of best fit, 3-15, 3-16
 linear cost function, 3-5–3-6, 3-7–3-8
 linear regression, 3-15
 see also regression method
 linearity, 3-23, 3-25
 localized analytics, 13-4
 location, 14-2
 long-term assets, 7-18
 losses, 4-6
 lump sums, 7-10

M

machine learning (ML), 12-7, 13-21
 MACRS (modified accelerated cost recovery system), 7-15n
 management
 autonomy, 6-8, 17-2–17-3
 business unit, 17-3
 control, 1-9
 decision-making. *See* decision-making
 financial managers, 1-11
 profit center, 17-11
 and transfer pricing, 17-27–17-28
 management control system, 17-2
 budgeting, 17-5
 centralized organizations, 17-2, 17-3–17-4
 components of, 17-5
 decentralized organizations, 17-2–17-4
 evaluation of, 17-6
 goal congruence, 17-4–17-5
 need for, 17-2–17-6
 performance measurement, 17-5
 pillars of, 18-9
 responsibility center. *See* responsibility center
 and transfer pricing, 17-20
 managerial accounting. *See* cost accounting
 manipulation of data, 13-12–13-13
 manufacturers
 activity-based costing (ABC), 9-19
 costs, 2-10–2-11
 financial statements, 2-10–2-11
 notes to the financial statements, 2-10–2-11
 manufacturing, 18-14
 manufacturing costs, 2-12–2-14, 2-16
 manufacturing overhead (MOH), 2-12, 2-14, 8-2–8-3, 8-12
 actual manufacturing overhead (MOH), 8-10–8-11, 8-14, 8-19–8-20
 actual MOH rate, 8-13
 allocated MOH for activity, 9-15
 applied manufacturing overhead (MOH), 8-7, 8-10–8-13, 8-14–8-15, 8-17, 8-19–8-20
 applied MOH under actual costing, 8-13
 applied MOH under normal costing, 8-12
 assignment of, 9-15–9-16
 budget, 6-16, 6-18–6-19
 budgeted MOH cost, 6-19, 8-19
 budgeted MOH rate, 8-12
 budgeted variable-MOH costs, 6-19
 budgeting, for specific job, 8-13–8-14

denominator volumes, 12-17-12-22
 fixed-MOH costs. *See* fixed-MOH
 job costing. *See* job costing
 mixed-MOH costs, 8-3
 predetermined MOH rate, 8-12
 and product lines, 9-3
 recording MOH costs, 9-16-9-17
 variable-MOH costs, 8-3, 10-13, 12-10
 variable-MOH variances, 10-24-10-26
 manufacturing overhead (MOH) budget, 6-16,
 6-18-6-19
 Manufacturing Overhead (MOH) Control
 account, 8-10
 margin of safety, 4-10-4-11
 margin of safety in sales dollars, 4-11
 margin of safety in units, 4-11
 market-based transfer prices, 17-25
 market share variance, 10-35, 10-38
 market size variance, 10-35
 marketing, 1-15, 18-14
 markup amount per unit, 16-12
 markup percentage on cost, 16-12
 Maslow's hierarchy of needs, 1-7, 1-8
 master budget, 6-7, 6-8, 10-6
 feedback, 6-11
 and flexible budget variances, 10-6-10-10
 follow-up, 6-11
 inputs and outputs, 6-10-6-11
 limitations of, 10-6-10-7
 master budget sales variance, 10-31-10-33,
 10-33
 organizational structure, 6-8
 process, 6-10
 responsibility center, 6-8-6-10, 6-11-6-12
 strategic planning process, 6-7-6-8
 master budget sales variance, 10-31-10-33,
 10-33
 master budget variance, 10-6-10-7
 materials requisition, 2-23
 materials requisition sheet, 8-8
 measures, 1-4, 1-5-1-8, 6-8, 18-2-18-3
see also metrics; performance measurement;
specific measures
 Medicare, 8-18n
 memorization, 1-23
 merchandise inventories, 1-15
 merchandisers
 activity-based costing (ABC), 9-19
 costs, 2-8-2-10
 financial statements, 2-9-2-10
 notes to the financial statements, 2-9-2-10
 metrics, 1-4, 1-6
see also measures; *specific metrics*
 micro lessons, 1-26
 minimum cash balance, 6-32
 misrepresentation of completion of job,
 8-28-8-29
 mission, 1-2, 1-3, 1-5, 6-7, 18-2
 mission statements, 1-2
 mixed costs, 3-4-3-5
 mixed-MOH costs, 8-3
 MOH. *See* manufacturing overhead (MOH)
 motivation, 10-2-10-3
 multicollinearity, 3-25n
 multinational companies, and transfer pricing,
 17-28
 multiple products, break-even with,
 4-14-4-17
 multiple regression, 3-25-3-28

N
 negative NPV, 7-18
 negotiated transfer prices, 17-22-17-23,
 17-26-17-27
 net income, 4-9, 4-17, 6-23, 16-11, 18-12
 net income growth, 18-12
 net present value (NPV), 7-17-7-20
 net realizable value (NRV) method, 15-5-15-6,
 15-10
 new entrants, 18-4
 non-goal-congruent outcomes, 17-4-17-5
 non-operating expenses budget, 6-23
 non-value-added activities, 9-8-9-9, 13-23
 nonfinancial metrics, 17-8
 nonfinancial performance measures,
 18-13-18-15
 nonlinear costs, 3-29-3-33
 nonlinear relationships, 3-29
 nonmanufacturing costs, 2-12-2-14, 2-16
 nonproductive capacity, 12-18
 nonprofit organizations
 activity-based costing (ABC), 9-20
 budgeting, 6-36-6-37
 and CVP analysis, 4-21-4-22
 normal capacity, 9-15, 12-19, 12-20
 normal costing, 8-5-8-6, 8-12
 normality of the residuals, 3-23
 Norton, David, 1-5, 18-15
 notes to the financial statements
 manufacturers, 2-10-2-11
 merchandisers, 2-9-2-10
 NPV. *See* net present value (NPV)
 NRV method. *See* net realizable value (NRV)
 method
 numerator, 13-19, 13-27

O
 objectives, 1-3, 6-7, 18-2, 18-18-18-19
 offshoring, 5-9
 operating activities, 7-3
 operating budget, 6-12
 cost of goods manufactured, 6-20
 cost of goods sold, 6-20
 creating an operating budget, 6-23
 direct labor (DL) budget, 6-17-6-18
 direct materials (DM) purchases budget,
 6-16-6-17
 manufacturing overhead (MOH) budget,
 6-18-6-19
 non-operating expenses budget, 6-23
 production budget, 6-14-6-15
 sales forecast, 6-13-6-14
 selling, general, and administrative expenses
 (SG&A) budget, 6-21-6-22
 operating cash flow, 18-12
 operating income, 2-28n, 4-17, 4-18, 4-19, 6-23,
 12-14-12-15, 16-11, 18-12
 operating leverage, 4-18
 degree of operating leverage (DOL),
 4-18-4-19
 sensitivity analysis, 4-17-4-18
 using, 4-20-4-21
 operating margin, 18-12
 operating plan, 18-2
 operating unit, 14-1-14-2, 14-4
 operation costing, 11-31-11-33
 operational excellence, 18-6
 opportunity costs, 2-4-2-5, 5-22-5-25
 optimal transfer price range, 17-21-17-23

ordinary annuity, 7-10, 7-11
 organization capacity perspective, 1-7
 organizational balanced scorecard, 1-6-1-7
 organizational structure, 6-8
 outbound transactions, 17-28
 outlet, 14-2
 overcharging, 8-27-8-28
 overstating percentage completion, 8-28-8-29

P
 p-value, 3-22
 "padding the budget," 6-5
 pandemic. *See* COVID-19 pandemic
 participative budget, 6-5
 passive investing, 7-2
 payback period, 7-22-7-24
 discounted payback period, 7-23-7-24, 7-27
 simple payback period with non-uniform
 cash flows, 7-23
 simple payback period with uniform cash
 flows, 7-22-7-23
 peak-load pricing, 16-19
 pedagogy, 1-24-1-25
 performance
 actual performance, 1-4
 measurement of. *See* measures; performance
 measurement
 performance evaluation, 10-4-10-5, 13-24, 15-12
 performance measurement, 17-5, 18-6
see also measures
 balanced scorecard. *See* balanced scorecard
 (BSC)
 in college setting, 18-11
 congruent outcomes, 18-8-18-9
 financial performance measures,
 18-12-18-13
 linking strategy to employees' objectives,
 18-8-18-9
 nonfinancial performance measures,
 18-13-18-15
 and organizational responsibility, 18-10
 process, 18-9-18-11
 period costs, 2-12, 2-13, 2-14, 2-16, 8-3-8-4,
 12-10
 period's flow of physical goods, 11-7-11-13
 personal balanced scorecard, 1-7-1-8
 personal strategy, 1-4-1-5
 personnel costs, 14-3
 physical quantities method, 15-6-15-7
 physical units
 conversion to equivalent units, 11-13-11-17
 FIFO method, 11-10, 11-12-11-13,
 11-14-11-15
 in the period, verification of, 11-7-11-13
 status of, 11-13-11-17
 weighted-average method, 11-11,
 11-12-11-13, 11-15-11-17
 piece rate, 18-11
 piecework, 6-17
 planning, 10-3-10-4
 plant-wide cost pool, 9-2
 plant-wide rates, 9-2-9-3
 point of production, 15-19
 point of sale, 15-19
 Porter, Michael, 18-5
 Porter's Five Forces, 1-3, 18-4, 18-7
 positive NPV, 7-18
 post-investment audit, 7-33, 7-34
 practical capacity, 9-15, 12-19, 12-20

practical standards, 10-13
 predatory pricing, 16-20
 prediction models, 13-19
 predictive analytics, 1-14, 13-19-13-20
 prescriptive analytics, 1-14, 13-20-13-21
 present value, 7-7-7-9
 present value of a single sum, 7-54-7-55
 present value of an annuity due, 7-60-7-61
 present value of an ordinary annuity (PVA), 7-11, 7-58-7-60
 present value of annuity (PVA) due, 7-11
 price discrimination, 16-18-16-19
 price fixing, 16-19-16-20
 price gouging, 16-19
 price leader, 18-5
 price makers, 16-3-16-4, 16-5
 price takers, 16-3-16-4, 16-5
 price variance, 10-17
 DL price variance, 10-22
 DM price variance, 10-17-10-18
 fixed-MOH price variance, 10-26, 12-5
 sales price variance, 10-32
 variable-MOH price variances, 10-24
 prices
 see also pricing
 learning curve, impact of, 3-31
 price changes, 13-20
 price variances. *See* price variance
 relationship between cost, price, and profit, 16-2
 standard price, 10-16
 supply and demand, 16-3
 transfer prices. *See* transfer pricing
 pricing
 see also prices
 collusive pricing, 16-19-16-20
 and competitors, 16-4
 consumers, and pricing practices, 16-17-16-21
 context, 16-3-16-5
 cost-based methods, 16-10
 cost-plus pricing, 16-9-16-14
 and costs, 16-4
 and customers, 16-4
 data analytics, 16-10
 dumping, 16-20
 market-based methods, 16-10
 peak-load pricing, 16-19
 perceived value, 16-17-16-18
 predatory pricing, 16-20
 price discrimination, 16-18-16-19
 price fixing, 16-19-16-20
 price gouging, 16-19
 price makers *versus* price takers, 16-3-16-4, 16-5
 price reductions, 16-17-16-18
 in the short-term, 16-5-16-9
 special-order pricing, 16-5-16-9, 16-13-16-14
 target costing for target pricing, 16-14-16-17
 transfer pricing. *See* transfer pricing
 truths about pricing, 16-2-16-3
 prime costs, 2-15-2-16, 2-16
 pro forma, 6-10
 process costing, 8-2, 11-2, 11-32
 accounting for costs, 11-17-11-20
 applications of determining product costs, 11-25
 with beginning and ending WIP Inventory, 11-8-11-13
 conversion to equivalent units, 11-13-11-17

cost assignment, 11-21-11-25
 cost per equivalent unit, calculation of, 11-17-11-20
 degree of completion, identification of, 11-7-11-13
 FG Inventory, 11-21-11-25
 first-in, first-out (FIFO) method. *See* first-in, first-out (FIFO) method
 gross margin, 11-31
 versus job costing, 11-3
 with no beginning or ending WIP Inventory, 11-7-11-8
 with only ending WIP Inventory, 11-8
 physical units in the period, verification of, 11-7-11-13
 status of physical units, 11-13-11-17
 steps of, 11-5, 11-7-11-25
 total unit costs, 11-31
 transferred-in costs, 11-26-11-31
 weighted-average method. *See* weighted-average method
 WIP Inventory, 11-4, 11-21-11-25
 product cost subsidizing, 9-6
 product costing, 9-13-9-19
 product costs, 2-12, 2-13, 2-14, 2-16, 8-2-8-8-4, 8-16, 9-19, 11-25
 product differentiation, 18-5-18-6
 product differentiator, 18-21-18-22
 product leadership, 18-6
 product lines, 9-2
 product-mix decisions, 5-14-5-20
 product/process-level costs, 9-11, 9-12
 production, 1-15
 production budget, 6-14-6-15
 production capacity, 12-4
 production method, 15-14-15-17, 15-19
 production variances, 10-15, 10-16-10-17
 productive capacity, 12-18
 professional skills, 13-25
 profit, 4-6
 cost center managers, 17-9
 gross profit, 2-10, 18-12
 relationship between cost, price, and profit, 16-2
 target profit. *See* target profit
 profit center, 6-9, 6-10, 17-10
 profit center manager, 17-11
 profit margin, 17-14
 profitability index, 7-25, 7-27
 prompt payment discount, 6-28
 prorated method, 8-22
 purpose, 1-2
 absorption costing, 12-3
 budgeting, 10-2-10-6
 company, 1-2-1-9
 cost accounting, 1-9-1-17
 and ethics, 1-21-1-22
 frameworks that guide purpose, 1-17-1-22
 learning methods, 1-26
 meaningful nature of, 1-2
 standard costing, 10-11-10-13
 and strategy, 1-2-1-4
 variable costing, 12-10-12-11
 variance analysis, 10-2-10-6
 Python, 13-15

Q

qualitative data, 13-8
 qualitative factors, 5-7, 5-23

quantitative data, 13-8
 quantitative factors, 5-7, 5-23

R

R^2 , 3-21
 rate for supplying an activity (under TDABC), 9-23
 raw materials, 8-16-8-17
 Raw Materials (RM) Inventory, 2-22-2-23, 8-17, 10-12
 reciprocal method, 14-12-14-15, 14-16, 14-18-14-20
 reflection, 1-26
 regression analysis, 13-20
 regression method, 3-15-3-28
 assumptions of regression, 3-23-3-24
 cost prediction, 3-22-3-23
 economic plausibility, 3-21, 3-24
 goodness of fit, 3-21, 3-24
 intercept coefficient, 3-22
 line of best fit, 3-15, 3-16
 multiple regression, 3-25-3-28
 regression output, evaluating, 3-21-3-23, 3-24-3-25
 residual, 3-16
 slope of regression line, 3-21-3-22
 statistical significance of the independent variable, 3-21, 3-24-3-25
 statistical significance of the slope, 3-21
 relevant cost approach, 5-6-5-7
 relevant costs, 5-4
 and decision-making, 5-5-5-6, 5-7-5-22, 5-23-5-25
 identification of, 5-5-5-6
 insource-*versus*-outsource, 5-7-5-11
 keep-*versus*-drop, 5-11-5-14
 and NPV analysis, 7-18
 product-mix decisions, 5-14-5-20
 special orders, 5-20-5-22, 16-7-16-8
 relevant information, 5-4-5-5
 relevant range, 2-19-2-20, 3-5, 4-9, 4-10
 activity level, 3-5
 cost prediction, 3-22-3-23
 cost-volume-profit (CVP) analysis, 4-10
 costs within, 3-3-3-9
 determining, 3-6-3-7
 linear cost function, 3-5-3-6
 rent expense, 8-21
 required rate of return (RRR), 7-13
 residual, 3-16
 constant variance, 3-23
 independence of, 3-23
 normality, 3-23
 residual income (RI), 17-16, 18-12
 resource constraints, 5-15-5-16
 responsibility, 6-9, 17-7
 responsibility center, 6-8-6-10, 6-11-6-12, 17-5, 17-6
 accountability, 17-7-17-8
 authority, 17-7
 characteristics of, 17-6-17-8
 classification of, 17-11-17-12
 cost centers, 17-8-17-9
 investment center, 17-10-17-11, 17-13-17-18
 linking to management control systems, 17-8
 profit center, 17-10
 responsibility, 6-9, 17-7
 revenue center, 17-9-17-10
 results, 1-4, 6-8, 18-3

retail organizations, and budgeting, 6-35–6-37
 retrieval of data, 13-12–13-13
 return
 accounting rate of return (ARR), 7-24–7-25
 actual rate of return, 7-13
 internal rate of return (IRR), 7-20–7-22, 7-26
 required rate of return (RRR), 7-13
 in return on investment (ROI), 7-4, 17-13
 on sales, 17-14
 and target profit, 16-11
 target rate of return, 7-13
 of working capital investment, 7-18
 return on assets (ROA), 18-12
 return on equity (ROE), 18-12
 return on invested capital (ROIC), 18-12
 return on investment (ROI), 7-4–7-5, 16-11, 17-11, 17-13, 18-12
 asset turnover, 17-14
 benefits, 17-14
 calculating ROI, 7-5–7-6
 components of ROI, 7-5, 17-13–17-15
 drawbacks, 17-14
 and DuPont method, 17-15
 hurdles of target ROI, 17-15
 investment centers, 17-13–17-15
 the investment in ROI, 7-5, 17-13
 investment turnover, 17-14
 profit margin, 17-14
 the return in ROI, 7-4, 17-13
 return on sales, 17-14
 and weighted average cost of capital (WACC), 17-15
 return on sales, 17-14
 revenue center, 6-9, 6-10, 17-9–17-10
 revenues
 bundled revenues, 14-22–14-23
 and financial statements, 2-2–2-3
 interpretation of, 2-2–2-3
 operating unit, 14-2
 total revenues, 18-12
 RI. *See* income
 RM Inventory. *See* Raw Materials (RM) Inventory
 ROA. *See* return on assets (ROA)
 ROE. *See* return on equity (ROE)
 ROI. *See* return on investment (ROI)
 ROIC. *See* return on invested capital (ROIC)
 rolling budget, 6-3–6-4
 RRR. *See* required rate of return (RRR)

S

safety stock, 6-15
 salaries and wages expense, 8-21
 salary, 18-11
 sales activity variance, 10-8, 10-32–10-33
 sales forecast, 6-13–6-14
 sales growth, 18-12
 sales in dollars to achieve target profit, 4-13
 sales in dollars to achieve target profit after-tax, 4-13
 sales in dollars to break even, 4-5–4-6
 sales in units to achieve target profit, 4-13
 sales in units to achieve target profit after-tax, 4-13
 sales in units to break even, 4-4–4-5, 4-12–4-13
 sales management, 6-27
 sales method, 15-17–15-20
 sales mix, 4-14, 5-15, 10-35

sales mix variance, 10-35, 10-36–10-37
 sales price variance, 10-32, 10-33
 sales quantity variance, 10-35–10-37, 10-38–10-40
 sales value at split-off method, 15-4–15-5, 15-10, 15-15, 15-18
 sales variances, 10-15, 10-31–10-40
 calculating, 10-38–10-40
 comprehensive sales activity variance, 10-33–10-38
 market share variance, 10-35, 10-38
 market size variance, 10-35, 10-38
 master budget sales variance, 10-31–10-33, 10-33
 sales activity variance, 10-8, 10-32–10-33
 sales mix variance, 10-35, 10-36–10-37
 sales price variance, 10-32, 10-33
 sales quantity variance, 10-35–10-37, 10-38–10-40
 simplified sales activity variance, 10-32–10-33
 total sales variance, 10-31
 salvage value, 7-18
 Sarbanes-Oxley Act of 2002 (SOX), 1-18
 scaffolds, 1-26
 scatter plot, 3-12–3-15
 scrap, 15-2, 15-16–15-17, 15-19–15-20
 segment, 14-2
 segment margin, 5-25
 self-discipline, and budgeting, 6-3
 self-enrichment, 1-7
 sell-or-process-further decisions, 15-10–15-13
 seller's objectives, 17-21–17-22
 selling, general, and administrative expenses (SG&A), 2-12, 2-13, 6-22
 selling, general, and administrative expenses (SG&A) budget, 6-21–6-22
 sensitivity analysis, 4-17–4-18, 7-27–7-29, 13-21
 separable costs, 15-2
 service costs, 9-19
 service department costs, 14-2
 see also support department costing
 service organizations
 activity-based costing (ABC), 9-20, 9-21
 budgeting, 6-36–6-37
 costs, 2-7–2-8
 CVP analysis, 4-21–4-22
 job costing, 8-30–8-33
 SG&A. *See* selling, general, and administrative expenses (SG&A)
 simple costing systems, 9-2
 simple payback period, 7-22–7-23
 simplified sales activity variance, 10-32–10-33
 simulations, 13-21
 SKUs. *See* stock-keeping units (SKUs)
 slope of regression line, 3-21–3-22
 SMART goals, 1-5
 SMARTER goals, 1-5, 6-2
 Social Security, 8-18n
 soft data, 13-7
 soft skills, 13-25
 Solver function, 5-17–5-20
 SOX. *See* Sarbanes-Oxley Act of 2002 (SOX)
 special-order pricing, 16-5–16-9, 16-13–16-14
 special orders, 5-20–5-22, 16-5
 split-off point, 15-2
 stakeholder perspective, 1-7
 stand-alone method, 14-20–14-21
 standard cost card, 10-11–10-13, 10-14

standard cost variances, 18-12
 standard costing, 10-11
 absorption costing, 12-3
 purpose of, 10-11–10-13
 setting and updating standards, 10-13–10-14
 variance analysis, 10-11–10-14
 standard costs, 10-14
 standard deviation, 3-21
 standard error, 3-21
 standard price, 10-16
 standards, 10-13–10-14
 statement of cash flows, 6-10
 statement of operations, 7-3
 statistical significance of the independent variable, 3-21, 3-24–3-25
 statistical significance of the slope, 3-21
 statistical training, 13-19
 status quo, 5-23
 step-fixed costs, 3-4
 step method, 14-10–14-12, 14-16, 14-17–14-18
 stock-keeping units (SKUs), 4-14
 stock options, 18-11
 stockholders, 7-2
 storage of data, 13-9–13-10
 storytelling, 1-26
 strategic plan, 1-2–1-3, 18-2, 18-6
 strategic planning process, 6-7–6-8, 18-2–18-3
 strategy, 1-3, 6-7, 18-2
 and balanced scorecard, 18-17–18-19
 choice of strategy, 1-3
 cost leadership, 18-5–18-6
 and employees' objectives, 18-8–18-9
 formation of, 13-24–13-25
 individual strategy, 1-4–1-5
 overview of business strategy, 18-1–18-7
 and performance measurement, 18-6, 18-8–18-9
 personal strategy, 1-4–1-5
 Porter's Five Forces, 1-3, 18-4, 18-7
 product differentiation, 18-5–18-6
 and purpose, 1-2–1-4
 strategic plan, 1-2–1-3, 18-2, 18-6
 strategic planning process, 6-7–6-8, 18-2–18-3
 SWOT analysis, 18-4–18-5, 18-7
 strategy map, 18-2, 18-17, 18-18–18-19, 18-21–18-22
 stretch goals, 6-7
 structured data, 13-2, 13-10, 13-12
 sub-ledger accounts, 8-6–8-7
 suboptimal, 17-4
 substitutes, 18-4
 subunit, 6-8, 17-3
 sunk costs, 2-5, 5-5–5-6
 suppliers, 18-4
 supply and demand, 16-3
 supply chain, 1-16
 supply chain management, 13-24
 support department costing
 allocating support department costs, 14-4–14-5, 14-7–14-8
 allocation methods, 14-8–14-23
 assignment issues, 14-5
 bundled revenues, 14-22–14-23
 common costs, 14-20–14-23
 cost allocation bases, 14-6–14-7
 direct method, 14-8–14-10, 14-16–14-17
 incremental cost method, 14-21–14-22
 overview, 14-1–14-8

support department costing (*continued*)
 reciprocal method, 14-12-14-15, 14-16,
 14-18-14-20
 stand-alone method, 14-20-14-21
 step method, 14-10-14-12, 14-16, 14-17-14-18
 support department costs, 14-2-14-4
see also support department costing
 support departments
see also support department costing
 determining, 14-4
 operating units, 14-4
 types of, 14-3
 SWOT analysis, 1-3-1-4, 1-16, 18-2, 18-4-18-5,
 18-7

T

t-statistic (*t*-stat), 3-21
 target cost per unit, 16-14, 16-15-16-17
 target costing for target pricing, 16-14-16-17
 target profit, 16-11
 after-tax, 4-13-4-14
 and break-even formula, 4-12-4-13
 determining, 17-10
 and return, 16-11
 and taxes, 4-14
 target rate of return, 7-13
 target return, 6-9
 targets, 1-4, 1-5-1-8, 6-8, 18-2-18-3
 tax code, 7-6, 17-28
 tax-deductible, 7-15
 tax rate, 7-14-7-15
 tax shield, 7-15-7-16
 taxes
 calculating taxes, 7-14-7-15
 depreciation, 7-15n
 depreciation tax shield, 7-15-7-16, 7-18
 and target profit, 4-14
 tax rate, 7-14-7-15
 TDABC. *See* time-driven activity-based costing
 (TDABC)
 TDABC transaction costs, 9-23
 theoretical capacity, 9-15, 12-19, 12-20
 threat of new entrants, 18-4
 threat of substitutes, 18-4
 time-driven activity-based costing (TDABC),
 9-22-9-26
 time equations, 9-23-9-24
 time value of money, 7-7-7-9
 timelines, 7-6-7-7
 tiny houses, 8-0
 total cost approach, 5-6-5-7
 total cost at activity level, 3-5
 total fixed costs, 2-20
 total sales, 6-27
 total sales variance, 10-31
 total unit costs, 11-31
 total utility cost, 3-22
 total variable costs, 2-16
 Tour de France, 1-22
 trade credit, 6-13
 traditional costing. *See* job costing
 traditional GAAP income statement, 2-28, 2-29
 transfer pricing, 17-18
 basics, 17-20-17-21
 buyer's objectives, 17-21-17-22
 capacity constraints, 17-22-17-23
 continuum of negotiated transfer prices, 17-23
 cost-based transfer prices, 17-23-17-25
 determining transfer prices, 17-29

genesis of, 17-19-17-21
 and management, 17-27-17-28
 and management control systems, 17-20
 market-based transfer prices, 17-25
 multinational companies, 17-28
 negotiated transfer prices, 17-22-17-23,
 17-26-17-27
 optimal transfer price range, 17-21-17-23
 seller has capacity, 17-22
 seller has no idle capacity, 17-22
 seller's objectives, 17-21-17-22
 setting transfer prices, 17-23-17-26
 unit costs, 17-24
 vertical integration, 17-19-17-20
 transferred-in costs, 11-26-11-31
 treasurer, 1-11
 troubleshooting, 10-4
 turnover ratios, 18-12
 TVM tables, 7-7, 7-52-7-61

U

uncertainty, 7-27-7-29, 13-19
 uncollectible credit sales, 6-28
 underallocated (idle) time, 9-24-9-25
 undercharging, 8-28
 understating percentage completion, 8-28
 unemployment taxes, 8-18n
 unit cost, 11-2, 17-24
 unit-level costs, 9-12
 unit sales to break even with multiple
 products, 4-15
 unstructured data, 13-2, 13-3, 13-10
 upstream, 17-19, 17-22-17-23
 use it or lose it, 6-5-6-6
 user department, 14-2

V

value-added activities, 1-15-1-16
 value chain, 1-15-1-17, 2-30, 9-8, 16-10, 17-19
 activities to undertake, 1-16
 value-added activities, 1-15-1-16
 value engineering, 16-15, 16-16-16-17
 variable costing, 12-10
versus absorption costing, 12-2, 12-13-12-17
 balance sheet implications, 12-2, 12-11,
 12-13-12-14
 components of unit's cost, 12-10
 cost of goods sold, 12-14-12-15
 fixed-MOH, 12-11
 how variable costing works, 12-10-12-11
 income statement implications, 12-2,
 12-11-12-13, 12-14-12-17
 inventory costs, 12-13-12-14
 operating income, 12-14-12-15
 purpose of, 12-10-12-11
 variable costs, 2-16-2-17, 2-18-2-19, 3-3, 3-4,
 3-5, 4-19
 variable-MOH costs, 8-3, 10-13, 12-10
 variable-MOH efficiency variance, 10-24-10-25
 variable-MOH price variance, 10-24
 variable-MOH variances, 10-24-10-26
 variance, 10-3
see also variance analysis
 direct labor (DL) variances, 10-22-10-24
 direct materials (DM) variances,
 10-17-10-21, 10-23-10-24
 DL efficiency variance, 10-22
 DL price variance, 10-22
 DM efficiency variance, 10-18-10-19

DM price variance, 10-17-10-18
 efficiency variance, 10-17
 fixed-MOH price variance, 10-26, 12-5
 fixed-MOH variances, 10-26-10-28,
 12-4-12-6
 fixed-MOH volume variance, 10-26-10-27,
 12-4-12-6
 flexible budget variance, 10-8-10-9
 journal entries to close variances,
 10-28-10-30
 master budget variance, 10-6-10-7
 price variance, 10-17
 production variances, 10-15, 10-16-10-17
 responsibility for, 10-15
 sales activity variance, 10-8
 sales variances. *See* sales variances
 standard cost variances, 18-12
 variable-MOH efficiency variance,
 10-24-10-25
 variable-MOH price variance, 10-24
 variable-MOH variances, 10-24-10-26
 variance diagrams, 10-17
 writing off temporary variances, 10-30-10-31
 variance analysis, 10-2, 10-4
see also variance
 master budget, and flexible budget variances,
 10-6-10-10
 purpose of, 10-2-10-6
 standard costing, 10-11-10-14
 variance diagrams, 10-17
 vertical analysis, 2-3, 2-5-2-6
 vertical integration, 17-19-17-20
 vision, 1-2, 1-3, 1-5, 6-7, 18-2

W

WACC. *See* weighted average cost of capital
 (WACC)
 WACM. *See* weighted-average contribution
 margin (WACM)
 waste, 15-2
 weighted-average contribution margin
 (WACM), 4-15
 weighted-average contribution margin per
 unit, 4-15
 weighted average cost of capital (WACC), 7-13,
 17-15
 weighted-average method, 11-10-11-13
 conversion to equivalent units, 11-15-11-17
 cost assignment, 11-24-11-25
 cost per equivalent unit, 11-18-11-19
 determining status of physical units, 11-13,
 11-15-11-17
 transferred-in costs, 11-29-11-31
 well-being, 1-7
 "what-if" analysis, 13-21
 WIP Inventory. *See* Work-in-Process (WIP)
 Inventory
 Work-in-Process (WIP) Inventory, 2-22,
 2-23-2-24, 8-13, 8-17, 8-27, 11-4,
 11-7-11-12, 11-21-11-25, 11-27-11-28,
 11-29-11-30
 work-life balance, 1-7
 working capital investment, 7-18

Y

year-end adjustments, 8-22-8-23

Z

zero-based budgets, 6-4, 6-6-6-7