Contents

PART 1 FINANCIAL ACCOUNTING 1	The Entity Concept 27 The Going-Concern Concept 27 The Cost Concept 28
Chapter 1 The Nature and Purpose of Accounting 2	The Dual-Aspect Concept 31 The Balance Sheet 32 An Overall View 33 Account Categories 34
The Need for Information 2 Operating Information 3 Financial Accounting Information 4 Management Accounting Information 4 Tax Accounting Information 5 Definition of Accounting 6 The Profession of Accounting 6 Our Approach to Accounting 6 Preconceptions about Accounting 7 Plan of the Book 7 The Financial Accounting Framework 8 Accounting as a Language 8 Nature of Principles 9 Criteria 9 Source of Accounting Principles 10 Financial Statements 12 The Balance Sheet 13 The Income Statement 15 "Package" of Financial Reports 16 Financial Statement Objectives 16	Assets 35 Liabilities 37 Owners' Equity 38 Ratios 41 Current Ratio 41 Balance Sheet Changes 41 Original Capital Contribution 41 Bank Loan 42 Purchase of Merchandise 42 Sale of Merchandise 42 Concluding Comment 43 Summary 43 Problems 43 Cases 46 Case 2–1: Maynard Company (A) 46 Case 2–2: Music Mart, Inc. 47 Case 2–3: Lone Pine Cafe (A) 47 Chapter 3
Sarbanes-Oxley Act 18 Income Tax Reporting 18	Basic Accounting Concepts: The Income Statement 49
Summary 18 Problems 19 Cases 21 Case 1–1: Ribbons an' Bows, Inc. 21 Case 1–2: Kim Fuller 22 Case 1–3: Baron Coburg 23	The Nature of Income 49 Basic Concepts 50 The Accounting Period Concept 50 The Conservatism Concept 53 The Realization Concept 55 The Matching Concept 56
Chapter 2 Basic Accounting Concepts: The Balance Sheet 25 Basic Concepts 25 The Money Measurement Concept 26	Recognition of Expenses 57 Terminology 57 Criteria for Expense Recognition 57 Expenses and Expenditures 58 Dividends 60 Summary of Expense Measurement 61

Gains and Losses 62	Closing Entries 94
The Consistency Concept 62	Statement Preparation 96
The Materiality Concept 62	The Journal 96
The Income Statement 63	Accounting Systems 98
Revenues 65	Internal Accounting Controls 98
Cost of Sales 65	Computer-Based Accounting
Gross Margin 66	Systems 99
Expenses 66	What a Computer-Based System Does 99
Net Income 66	Modules 100
Statement of Retained Earnings 66	Problems with Computer Systems 100
Relation between Balance Sheet and	Summary 101
Income Statement 67	Appendix: Additional Accounting Cycle
Income Statement Percentages 67	Procedures 101
Other Concepts of Income 67	Problems 103
Accrual versus Cash-Basis Accounting 67	Cases 105
Income Tax Accounting 68	Case 4–1: PC Depot 105
Economic Income 69	Case 4–2: Save-Mart 106
Pro Forma Earnings 69	Case 4–3: Copies Express 107
Accounting and Changing Prices 69	Case 4–4: Waltham Oil and Lube
Nature of the Problem 70	Center, Inc. 108
Proposed Solutions 70	Cemer, Inc. 100
Summary 71	
Problems 72	Chapter 5
	Revenue and Monetary Assets 110
Cases /4	
Cases 74	Revenue and Monetary Assets 110
Case 3–1: Maynard Company (B) 74	Timing of Revenue Recognition 110
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75	•
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75	Timing of Revenue Recognition 110
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76	Timing of Revenue Recognition 110 Basic Recognition Criteria 110
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81	Timing of Revenue Recognition Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4	Timing of Revenue Recognition Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83 The Accounting Process 85	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123 Monetary Assets 125
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83 The Accounting Process 85 Transaction Analysis 86	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123 Monetary Assets 125 Difference in Reporting Monetary and
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83 The Accounting Process 85 Transaction Analysis 86 Example: Campus Pizzeria, Inc. 86	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123 Monetary Assets 125 Difference in Reporting Monetary and Nonmonetary Assets 125
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83 The Accounting Process 85 Transaction Analysis 86 Example: Campus Pizzeria, Inc. 86 Balancing Accounts 89	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123 Monetary Assets 125 Difference in Reporting Monetary and Nonmonetary Assets 125 Cash 125
Case 3–1: Maynard Company (B) 74 Case 3–2: Lone Pine Cafe (B) 75 Case 3–3: Dispensers of California, Inc. 75 Case 3–4: Pinetree Motel 76 Case 3–5: National Association of Accountants 78 Chapter 4 Accounting Records and Systems 81 Recordkeeping Fundamentals 81 The Account 82 Permanent Accounts and Temporary Accounts 82 The Ledger 83 The Chart of Accounts 83 Debit and Credit 83 The Accounting Process 85 Transaction Analysis 86 Example: Campus Pizzeria, Inc. 86	Timing of Revenue Recognition 110 Basic Recognition Criteria 110 SEC Response 111 Delivery Method 113 Percentage-of-Completion Method 114 Production Method 115 Installment Method 115 Amount of Revenue Recognized 116 Bad Debts 117 Sales Discounts 119 Credit Card Sales 120 Sales Returns and Allowances 121 Revenue Adjustment versus Expense 121 Warranty Costs 122 Interest Revenue 123 Monetary Assets 125 Difference in Reporting Monetary and Nonmonetary Assets 125 Cash 125 Receivables 125

Acid-Test Ratio 127	Case 6–3: Morgan Manufacturing 174
Days' Cash 128	Case 6–4: Joan Holtz (B) 176
Days' Receivables 128	Case 6–5: UAL Corporation 177
Summary 129	•
Problems 129	Chapter 7
Cases 132	Long-Lived Nonmonetary Assets and
Case 5–1: Stern Corporation (A) 132	Their Amortization 187
Case 5–2: Grennell Farm 132	
Case 5–3: Joan Holtz (A) 135	Nature of Long-Lived Assets 187
Case 5-4: Bausch & Lomb, Inc. (A) 137	Types of Long-Lived Assets 188
Case 5–5: Boston Automation	Plant and Equipment: Acquisition 189
Systems, Inc. 143	Distinction between Asset and Expense 189
	Items Included in Cost 190
Chapter 6	Acquisitions Recorded at Other Than Cost 191 Basket Purchases 191
Cost of Sales and Inventories 147	Plant and Equipment: Depreciation 191
T	Judgments Required 192
Types of Companies 147	Service Life 193
Supplies 148 Member dising Companies 148	Depreciation Methods 193
Merchandising Companies 148 Acquisition Cost 148	Choice of a Depreciation Method 195
The Basic Measurement Problem 149	Accounting for Depreciation 196
Periodic Inventory Method 150	Change in Depreciation Rates 197
Perpetual Inventory Method 151	Partial-Year Depreciation 197
Comparison of Periodic and Perpetual Methods 152	Disclosure 197
Retail Method 153	Plant and Equipment: Disposal 198
Manufacturing Companies 154	Exchanges and Trade-Ins 199
Inventory Accounts 154	Group Depreciation 200
Materials Used 155	Significance of Depreciation 200
Cost of Goods Manufactured 156	Income Tax Considerations 201 Depreciation Allowances 201
Cost of Goods Sold 157	Investment Tax Credit 202
Product Costing Systems 158	Natural Resources 203
Product Costs and Period Costs 158	Depletion 204
Service Companies 159	Accretion and Appreciation 204
Inventory Costing Methods 159	Intangible Assets 204
Specific Identification Method 160	Limited Useful Life 204
Average Cost Method 160	Indefinite Useful Life 205
First-In, First-Out Method 161	Goodwill 205
Last-In, First-Out Method 161	Patents and Copyrights 206
Comparison of Methods 162	Leasehold Improvements 206
Lower of Cost or Market 165	Deferred Charges 206
Analysis of Inventory 166	Research and Development Costs 206
Inventory Turnover 166	Analysis of Nonmonetary Assets 207
Gross Margin Percentage 167	Summary 208 Problems 208
Summary 167	Cases 210
Problems 168	Case 7–1: Stern Corporation (B) 210
Cases 170	Case 7–1: Stern Corporation (B) 210 Case 7–2: Joan Holtz (C) 211
Case 6–1: Browning Manufacturing Company 170	Case 7–2: Stafford Press 213
Case 6–2: Lewis Corporation 173	Case 7-3. Siaffora 1 ress 213

Chapter 8	Common Stock 249
Sources of Capital: Debt 215	Treasury Stock 250
Sources of Capital. Debt 213	Retained Earnings 250
Nature of Liabilities 215	Reserves 251
Executory Contracts 215	Dividends 251
Contingencies 216	Warrants and Stock Options 253
Liabilities as a Source of Funds 217	Employee Stock Ownership Plans 253
Debt Capital 218	Balance Sheet Presentation 254
Term Loans 218	Earnings per Share 254
Bonds 218	The Line between Debt and Equity 256
Accounting for Bonds 219	Zero-Coupon Bonds 257
Recording a Bond Issue 219	Debt with Warrants 257
Balance Sheet Presentation 221	Redeemable Preferred Stock 258
Bond Interest Expense 222	Equity in Nonprofit Organizations 258
Retirement of Bonds 223	Summary 259
Refunding a Bond Issue 224	Problems 259
Leased Assets 224	Cases 262
Capital Leases 225	Case 9–1: Xytech, Inc. 262
Sale and Leaseback 226	Case 9–2: Innovative Engineering Company 263
Other Liabilities 226	Case 9–3: UPC Inc. 264
Current Liabilities 226	Case 9–4: Maxim Integrated Products, Inc. 267
Deferred Taxes 226	
Analysis of Capital Structure 226	Chapter 10
Debt Ratios 226	Other Items That Affect Net Income
Times Interest Earned 228	and Owners' Equity 272
Times Interest Earned 228 Bond Ratings 228	and Owners' Equity 272
	Total and Other Nonowner Changes in
Bond Ratings 228 Summary 228 Appendix: Present Value 229	Total and Other Nonowner Changes in Owners' Equity 272
Bond Ratings 228 Summary 228	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274
Bond Ratings 228 Summary 228 Appendix: Present Value 229	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8-1: Norman Corporation (A) 238	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8-1: Norman Corporation (A) 238 Case 8-2: Stone Industries 240 Case 8-3: Paul Murray 242 Case 8-4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246 Corporation 246	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246 Corporation 246 Accounting for Proprietor's and	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284 Accounting Entries 286
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8-1: Norman Corporation (A) 238 Case 8-2: Stone Industries 240 Case 8-3: Paul Murray 242 Case 8-4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246 Corporation 246 Accounting for Proprietor's and Partners' Equity 247	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284 Accounting Entries 286 Foreign Currency Accounting 289
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246 Corporation 246 Accounting for Proprietor's and Partners' Equity 247 Proprietorship Equity 247	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284 Accounting Entries 286 Foreign Currency Transactions 289
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 246 Corporation 246 Accounting for Proprietor's and Partners' Equity 247 Proprietorship Equity 247 Partnership Equity 247 Partnership Equity 247	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284 Accounting Entries 286 Foreign Currency Transactions 289 Foreign Currency Transaction Adjustments 290
Bond Ratings 228 Summary 228 Appendix: Present Value 229 Problems 236 Cases 238 Case 8–1: Norman Corporation (A) 238 Case 8–2: Stone Industries 240 Case 8–3: Paul Murray 242 Case 8–4: Joan Holtz (D) 242 Chapter 9 Sources of Capital: Owners' Equity 245 Forms of Business Organization 245 Sole Proprietorship 245 Partnership 246 Corporation 246 Accounting for Proprietor's and Partners' Equity 247 Proprietorship Equity 247	Total and Other Nonowner Changes in Owners' Equity 272 Nonoperating Items 274 Extraordinary Items 274 Pro Forma Earnings 275 Discontinued Operations 276 Change in Accounting Principles 276 Errors 277 Personnel Costs 277 Pensions 278 Other Postretirement Benefits 280 Compensated Absences 281 Income Taxes 281 Book-to-Tax Differences 281 Deferred Income Taxes 283 Deferred Tax Measurement 284 Accounting Entries 286 Foreign Currency Transactions 289

Net Income 293	Cost Method 343
Summary 293	Equity Method 343
Problems 294	Consolidated Basis 344
Cases 296	Business Combinations 344
Case 10–1: Norman Corporation (B) 296	Purchase versus Pooling 344
Case 10–2: Silver Appliance Company 297	Accounting as a Pooling 345
Case 10–2: Suver Appliance Company 257 Case 10–3: Kansas City Zephyrs Baseball	Accounting as a Purchase 345
Club, Inc. 299	Consolidated Statements 347
Case 10–4: Freedom Technology Company 307	Basis for Consolidation 348
Case 10–4. Preedom Technology Company 307 Case 10–5: Proxim, Inc. 308	Consolidation Procedure 348
Case 10–3: Proxim, Inc. 308	Asset Valuation 350
Chantan 11	
Chapter 11	Minority Interest 351
The Statement of Cash Flows 310	Summary 352
Purpose of the Cash Flow Statement 310	Problems 352
Sources and Uses of Cash 311	Cases 354
The Cash Flow Statement 312	Case 12–1: Hardin Tool Company 354
	Case 12–2: Carter Corporation 356
Statement Categories 313	Case 12–3: Keane's Acquisition of
Investing Activities 313	Metro Information Services 357
Financing Activities 315	Case 12–4: Productos Finas 366
Noncash Transactions 317	Cl . 13
Cash Flow from Operating Activities 317	Chapter 13
Indirect Method Calculations 318	Financial Statement Analysis 369
Summary of the Cash Flow Statement 322	Business Objectives 369
Misconceptions about Depreciation 323	Return on Investment 370
Cash Flow Earnings 324	Sound Financial Position 371
Preparation of the Cash Flow Statement 324	Structure of the Analysis 371
Cash Flow Earnings 324	Overall Measures 371
Worksheet Entries 327	
Statement Preparation 329	Return on Investment 371
Summary of Preparation Procedures 330	Investment Turnover and Profit Margin 376
Analysis of the Cash Flow Statement 331	Price/Earnings Ratio 377
Ratios 331	Profitability Ratios 378
Cash Flow Projections 332	Profit Margin 378
Summary 333	Common-Size Financial Statements 378
Problems 333	Investment Utilization Ratios 379
Cases 335	Investment Turnover 379
Case 11–1: Medieval Adventures Company 335	Capital Asset Intensity 379
Case 11–2: Amerbran Company (A) 336	Working Capital Measures 379
Case 11–3: Great Valu Variety Stores 338	Financial Condition Ratios 381
	Liquidity and Solvency 381
	Dividend Policy 381
Chapter 12	Growth Measures 383
Acquisitions and Consolidated	Making Comparisons 384
Statements 342	Difficulties 384
A	Possible Bases for Comparison 386
Accounting for Investments 342 Fair-Value Method 342	Use of Comparisons 387

Summary 388 Problems 388 Cases 390 Case 13–1: Genmo Corporation 390 Case 13–2: Amerbran Company (B) 392 Case 13–3: Identify the Industries 393 Case 13–4: Supplement to Identify the Industries	PART 2 MANAGEMENT ACCOUNTING 455 Chapter 15 The Nature of Management Accounting 456
393 Case 13–5: Springfield National Bank 393 Case 13–6: Quality Furniture Company 400 Case 13–7: Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc. 404	Management Accounting 456 Management Accounting Is a Relatively Young Field 457 Management Accountants 458 Contrast between Management Accounting and
Chapter 14 Understanding Financial Statements 419	Financial Reporting 459 Differences 459 Similarities 461
Additional Information in Annual Reports 419 Auditors' Opinion 419 Notes to Financial Statements 422 Segment Reporting 423 Full Disclosure 424 Comparative Statements 424 Management's Discussion and Analysis 424 Securities and Exchange Commission (SEC) Reports 424 Review of Criteria and Concepts 425	Types of Management Accounting Information and Their Uses 462 Measurement 463 Control 464 Alternative Choice Decisions 465 Databases 465 General Observations on Management Accounting 467 Different Numbers for Different Purposes 468 Accounting Numbers Are Approximations 468
Criteria 425 Concepts 426 Accounting Alternatives 430 Regulatory Requirements 430 Income Tax Principles 430 Latitude in Methods 431 Basis of Choice 431	Working with Incomplete Data 468 Accounting Evidence Is Only Partial Evidence 468 People, Not Numbers, Get Things Done 469 Summary 469 Problems 470 Case 472 Case 15–1: Private Fitness, LLC 472
Controversies over Principles 432 Implications of These Differences 433 Inherent Limitations 434	Chapter 16 The Behavior of Costs 474
Ethical Problems 434 Meaning of the Financial Statements 435 Income Statement 435 Balance Sheet 436 Statement of Cash Flows 438 Summary 438 Problems 438 Cases 441 Case 14–1: Quick Lunch 441 Case 14–2: Scientific Instrument Corporation 442 Case 14–3: Limited Editions, Inc. 445 Case 14–4: Accounting at MacCloud Winery 447 Case 14–5: PolyMedica Corporation (A) 448	Relation of Costs to Volume 474 Variable and Fixed Costs 474 Cost-Volume Diagrams 475 Relation to Unit Costs 477 Inherent Conditions 478 Linear Assumption 481 Estimating the Cost-Volume Relationship 482 Measures of Volume 485 Profitgraphs 486 Break-Even Analysis 487 Target Profit 488

xviii Contents

Operating Leverage 488	Averaging 537
Contribution 488	Basic Types of Systems 538
Cash versus Accrual Profitgraphs 491	Job Order Costing 538
Using the Profitgraph 491	Process Costing 539
Several Products 492	Choice of a System 541
Other Influences on Costs 494	Variations in Practice 542
Summary 495	Measurement of Direct Costs 542
Appendix: Learning Curves 495	Direct Labor Cost 543
Problems 497	Direct Material Cost 544
Cases 499	Direct versus Variable Cost 544
Case 16–1: Hospital Supply, Inc. 499	Allocation of Indirect Costs 545
Case 16–2: Prestige Telephone Company 501	Distinction between Direct and Indirect Costs 545
Case 16–3: Bill French 504	Nature of Allocation 546
	Cost Centers 546
Chapter 17	Calculating Overhead Rates 547
Full Costs and Their Uses 508	Cost Drivers (Allocation Bases) 551
Full Costs and Then Oses 300	Predetermined Overhead Rates 553
Cost Concepts 508	Procedure for Establishing Predetermined Rates 554
General Definition 508	Underabsorbed and Overabsorbed Overhead 557
Cost Object 509	Activity-Based Costing 557
Full Cost 509	Cross-Subsidies 559
Direct and Indirect Costs 509	Activity-Based Costing Concepts 559
Applicable Accounting Principles 510	Summary 565
Elements of Product Cost 511	Problems 566
Product Costing Systems 513	Cases 569
Account Flowchart 514	Case 18–1: Huron Automotive Company 569
Nonmanufacturing Costs 517	Case 18–2: California Creamery, Inc. 573
Merchandising Companies 518	Case 18–3: Wilkerson Company 575
Service Organizations 519	Case 18–4: Safety Monitoring Devices, Inc. 578
Nonprofit Organizations 519	Case 18–5: Dakota Office Products 582
Uses of Full Cost 520	Cuse 10 3. Danoia Office Frontacis 302
Financial Reporting 520	Chanter 10
Analyses of Profitability 520	Chapter 19
What Did It Cost? 520	Standard Costs, Variable Costing Systems,
Setting Regulated Prices 521	Quality Costs, and Joint Costs 586
Product Pricing 521	Standard Costs 586
Summary 524 Problems 524	Standard Cost Sheet 586
Problems 524 Cases 526	Account Flowchart 587
	Variations in the Standard Cost Idea 591
Case 17–1: Delaney Motors 526 Case 17–2: Lipman Bottle Company 529	Terminology Ambiguities 592
Case 17–2: Elphan Bottle Company 529 Case 17–3: Shelter Partnership, Inc. 533	Uses of Standard Costs 592
Case 17-3. Sheller Farthership, Inc. 333	Variable Costing Systems 594
Chapter 18	Comparison of Absorption and Variable Costing 594
•	Why Use Full Costing? 597
Additional Aspects of Product Costing	Quality Costs 599
Systems 537	Joint Products and By-Products 600
Job Order Costing and Process Costing 537	Joint-Products and By-Floducts 600 Joint-Product Costing 600
Production Processes 537	
2. Gamenon 1 recesses 237	By-Product Costing 601

Accuracy of Costs 602	Marketing Variances 654
Judgment Calls 602	Production Cost Variances 654
Tendencies toward Uniformity 602	Uses of Variances 656
Cost System Design Choices 603	Summary 657
Summary 603	Problems 658
Appendix A: Standard Costing	Cases 660
Illustration 604	Case 21–1: Campar Industries, Inc. 660
Appendix B: Absorption versus Variable	Case 21–2: Darius Company 662
Costing's Impact on Income 610	Case 21–3: Woodside Products. Inc. 662
Problems 611	cuse 21–3. Woodstae i Todacis, inc. 002
Cases 613	
	Chapter 22
Case 19–1: Bennett Body Company 613	Control: The Management Control
Case 19–2: Black Meter Company 615	Environment 664
Case 19–3: Brisson Company 615	Environment 004
Case 19–4: Landau Company 616	Management Control 664
Case 19–5: Lynch's Chicken Ranch, Inc. 618	The Environment 665
	The Nature of Organizations 665
Chapter 20	Rules, Guidelines, and Procedures 667
Production Cost Variance Analyses 621	Culture 667
·	External Environment 667
Variances 621	Responsibility Centers and Responsibility
Direct Material and Labor Variances 622	Accounts 668
Direct Material Variances 622	Inputs and Outputs 668
Direct Labor Variances 626	Responsibility Accounting 669
Overhead Variances 627	Effectiveness and Efficiency 671
Production Volume Variance 628	Types of Responsibility Centers 671
Spending Variance 629	Revenue Centers 672
Calculation of Overhead Variances 630	Expense Centers 672
Summary 633	Profit Centers 673
Cases 636	Transfer Prices 674
Case 20–1: SunAir Boat Builders, Inc. 636	Investment Centers 677
Case 20–2: Medi-Exam Health Services, Inc. 638	Nonmonetary Measures 679
Case 20–3: Cotter Company, Inc. 639	Summary 679
Case 20-4: Lupton Company 640	Problems 679
	Cases 681
Chapter 21	Case 22–1: Behavioral Implications of Airline
Other Variance Analyses 643	Depreciation Accounting Policy Choices 681
Other variance Analyses 043	Case 22–2: Shuman Automobiles, Inc. 683
Overview of the Analytical Process 643	Case 22–3: Zumwald AG 687
The Need for Variance Analysis 643	Case 22–4: Enager Industries, Inc. 689
Types of Variances 644	Case 22–5: Piedmont University 693
Marketing Variances 644	
Expense Variances 644	Chapter 23
Gross Margin Variances 646	Control: The Management Control
Production Cost Variances 652	Process 696
Correct Volume Measures 652	DI CM + C + 1 (0)
Other Variances 653	Phases of Management Control 696
Complete Analysis 654	Strategic Planning 696
Compressor maryons out	Budgeting 697

Measurement and Reporting 697 Evaluation 698 Accounting Information Used in Management Control 698 Controllable Costs 698 Engineered, Discretionary, and Committed Costs 702 Behavioral Aspects of Management Control 704 Behavior of Participants 704 Motivation 705 Incentives 706 Goal Congruence 707 Cooperation and Conflict 708 Other Types of Control 709 Summary 709 Problems 709 Cases 712	Final Approval and Distribution 748 Revisions 748 Variations in Practice 749 The Cash Budget 750 The Capital Expenditure Budget 751 Project Proposals 751 Authorization 752 Follow-Up 752 Beyond Budgeting 752 Summary 753 Problems 753 Cases 755 Case 24–1: Body Glove 755 Case 24–2: Waikerie Co-Operative Producers Ltd. 762 Case 24–3: Patagonia, Inc. 771 Case 24–4: Borealis 784
Case 23–1: Tru-Fit Parts, Inc. 712 Case 23–2: Industrial Electronics, Inc. 715 Case 23–3: Las Ferreterías de México, S.A. de C.V. 716	Chapter 25 Reporting and Evaluation 795
Case 23–4: Boise Cascade Corporation 719 Case 23–5: Berkshire Industries PLC 727	Control Reports 795 Key Success Factors 795 Types of Management Reports 796 Partial of Control Property 707
Chapter 24	Period of Control Reports 797 Contents of Control Reports 797
Strategic Planning and Budgeting 733	Use of Control Reports 801
Strategic Planning 733 Ongoing Programs 734 Proposed New Programs 735 Formal Strategic Planning Systems 736 Budgeting 736 Uses of the Budget 736 The Master Budget 738 The Operating Budget 739 Project Budgets 740 Flexible (Variable) Budgets 740 Management by Objectives 740 Preparing the Operating Budget 742	Feedback 803 Steps in the Control Process 803 Reporting and Continuous Improvement 804 Incentive Compensation 805 Summary 806 Problems 806 Cases 809 Case 25–1: Olympic Car Wash 809 Case 25–2: Armco, Inc.: Midwestern Steel Division 810 Case 25–3: Formosa Plastics Group 821
Organization for Budget Preparation 742 Budget Timetable 743 Setting Planning Guidelines 744 Preparing the Sales Budget 744 Initial Preparation of Other Budget Components 745 Negotiation 746 Coordination and Review 748	Chapter 26 Short-Run Alternative Choice Decisions 829 The Differential Concept 829 Cost Constructions for Various Purposes 829 Differential Costs and Revenues 830 Contrasts with Full Costs 830 Contribution Analysis 831

Types of Cost 833	Summary of the Analytical Process 875
Alternative Choice Problems 834	Other Methods of Analysis 875
Steps in the Analysis 835	Internal Rate of Return Method 875
Differential Costs 836	Payback Method 877
Mechanics of the Calculation 837	Unadjusted Return on Investment Method 878
Other Terminology 839	Multiple Decision Criteria 879
Estimates of Future Costs 840	Preference Problems 880
Sunk Costs 840	Criteria for Preference Problems 880
Importance of the Time Span 841	Comparison of Preference Rules 880
Example: Operating an Automobile 842	Nonprofit Organizations 881
Types of Alternative Choice Problems 843	Summary 881
Problems Involving Costs 843	Problems 882
Problems Involving Both Revenues and Costs 844	Cases 884
Differential Investment 847	Case 27–1: Sinclair Company 884
Sensitivity Analysis 847	Case 27–2: Rock Creek Golf Club 886
The "Just One" Fallacy 848	Case 27–3: Phuket Beach Hotel: Valuing Mutually
Expected Values 849	Exclusive Capital Projects 887
Decision Tree Analysis 850	
Some Practical Pointers 850	Chapter 28
Summary 851	Management Accounting System
Problems 851	Design 890
Cases 854	e e e e e e e e e e e e e e e e e e e
Case 26–1: Import Distributors, Inc. 854	Types of Accounting Information 890
Case 26–2: Forner Carpet Company 855	Measurement 890
Case 26–3: Precision Worldwide, Inc. 857	Control 891
Case 26–4: Baldwin Bicycle Company 859	Alternative Choice Problems 891
	Relative Importance 891
Chapter 27	Cost Categories 892
Longer-Run Decisions: Capital	Designing the Management Accounting
Budgeting 862	System 894
8 8	Accounting Database 894
Nature of the Problem 862	Level of Detail 894
General Approach 863	Cost Accounting Systems 895
Net Present Value 864	Management Control Systems 895
Return on Investment 864	Cases 896
Estimating the Variables 866	Case 28–1: Puente Hills Toyota 896
Required Rate of Return 866	Case 28–2: Axeon N. V. 908
Economic Life 868	
Cash Inflows 868	Appendixes 915
Investment 872	
Terminal Value 873	
Nonmonetary Considerations 873	Index 917

Index and Source of Cases

The 110 cases included in this book are listed below in alphabetical order, together with their authors' names and the institution with which each author was affiliated at the time the case was written. Cases with no name shown were written by, or under the supervision of, one of the authors of this book. The copyright on all cases is indicated on the first page of each case. No case may be reproduced in any form or by any means without the permission of its copyright holder. Information on requesting permission to reproduce Harvard Business School cases is included on the copyright page of this book. We regret that we are unable to provide permission information for cases not copyrighted by Harvard.

Title

Accounting at MacCloud Winery

Amerbran Company (A) Amerbran Company (B)

Armco Inc.: Midwestern Steel Division

Axeon N.V.

Profs. David F. Hawkins, Robert S. Kaplan, and Gregory S. Miller, Harvard Business School *Prof. James S. Reese*, University of Michigan Prof. James S. Reese, University of Michigan

Profs. Kenneth A. Merchant and Wim A. Van der Stede,

University of Southern California

Baldwin Bicycle Company

Baron Coburg

Bausch & Lomb, Inc. (A)

Prof. W. T. Andrews, Guilford College

Profs. Gregory S. Miller and Christopher F. Noe,

Harvard Business School

Behavioral Implications of Airline Depreciation

Accounting Policy Choices

Bennett Body Company

Profs. C. A. Bliss and R. N. Anthony, Harvard

Business School

Berkshire Industries PLC Profs. Kenneth A. Merchant and Wim A. Van der Stede,

University of Southern California

R. C. Hill and Prof. N. E. Harlan, Harvard Business Bill French

School

Black Meter Company

Body Glove

Boise Cascade Corporation

Profs. Bjorn Jorgensen and Robert S. Kaplan, Borealis

Harvard Business School

Boston Automation Systems, Inc.

Brisson Company

Browning Manufacturing Company

California Creamery, Inc. Profs. Kenneth A. Merchant and Wim A. Van der Stede,

University of Southern California

Campar Industries, Inc. Carter Corporation Copies Express

xxiv Index and Source of Cases

Lone Pine Cafe (B)

Cotter Company, Inc. *Prof. R. F. Vancil*, Harvard Business School

Dakota Office Products Prof. Robert S. Kaplan, Harvard Business School

Darius Company

Delaney Motors *Profs. A. Reinstein,* University of Detroit and *R. N. Anthony,* Harvard Business School

Dispensers of California, Inc.

Enager Industries, Inc. *Prof. James S. Reece*, University of Michigan

Formosa Plastics Group

Forner Carpet Company *Prof. James S. Reece*, University of Michigan Freedom Technology Company

Genmo Corporation
Great Valu Variety Stores

Grennell Farm

J. Brown and Prof. John K. Shank, Harvard
Business School

Hardin Tool Company
Hospital Supply, Inc.
Prof. Michael W. Maher, University of California, Davis
Huron Automotive Company
Prof. James S. Reece, University of Michigan

Identify the Industries Jeremy Cott and Profs. Sharon M. McKinnon,

Northeastern University, and William J. Bruns Jr.,

Harvard Business School

Import Distributors, Inc. *Prof. James S. Reece*, University of Michigan Industrial Electronics, Inc.

Innovative Engineering Company *Prof. James S. Reece*, University of Michigan

Joan Holtz (A)

Joan Holtz (B)
Joan Holtz (C)

Profs. C. B. Nickerson and R. N. Anthony, Harvard

Business School Joan Holtz (D)

Kansas City Zephyrs Baseball Club, Inc. Joseph P. Mulloy and Profs. Kenneth A. Merchant and

Krishna G. Palepu, Harvard Business School
Keane's Acquisition of Metro
Prof. F. Asis Martinez-Jerez, Harvard Business School

Information Services
Kim Fuller

Landau Company
Prof. James S. Reece, University of Michigan
Profs. Kenneth A. Merchant and Wim A. Van der Stede,
University of Southern California

Lewis Corporation
Limited Editions, Inc.
Prof. Dennis Frolin, Harvard Business School
Lipman Bottle Company
Lone Pine Cafe (A)
Prof. M. J. Sandretto, Harvard Business School

Lupton Company Lynch's Chicken Ranch, Inc. Prof. James S. Reece, University of Michigan Profs. Kenneth A. Merchant and Lesley Porter, University of Southern California

Maynard Company (A)
Maynard Company (B)
Maxim Integrated Products
Medieval Adventures Company
Medi-Exam Health Services, Inc.
Morgan Manufacturing
Music Mart, Inc.

Prof. James S. Reece, University of Michigan Prof. Julie H. Hertenstein, Northeastern University

National Association of Accountants Norman Corporation (A) Norman Corporation (B)

Olympic Car Wash

Profs. Kenneth A. Merchant and Wim A. Van der Stede,
University of Southern California

Patagonia, Inc.
Paul Murray
PC Depot
Phuket Beach Hotel: Valuing Mutually
Exclusive Capital Projects
Piedmont University
Pinetree Motel

Profs. Su Han Chan and Ko Wang and Mary Wong, University of Hong Kong

Precision Worldwide, Inc. Private Fitness LLC Productos Finas Proxim, Inc.

Polymedica Corporation (A)

Profs. James S. Reece, University of MichiganProfs. David F. Hawkins, Harvard Business School, and Jacob Cohen, INSEADProf. William J. Bruns Jr., Harvard Business School

Proxim, Inc.

Prof. Mark Bradshaw, Harvard Business School

Puente Hills Toyota

Profs. Kenneth A. Merchant and Wim A. Van der Stede,
University of Southern California, and Prof. Pieter

Jansen, University of Groningen

Quality Furniture Company

Profs. David Hawkins, Harvard Business School, and
Norman J. Bartczak, Columbia University

Quick Lunch

Profs. Robert O. Schlaifer and Robert N. Anthony,
Harvard Business School

Ribbons an' Bows, Inc. Rock Creek Golf Club

Prof. James S. Reece, University of Michigan

Safety Monitoring Devices, Inc. *Prof. Wim A. Van der Stede,* University of Southern California

Save-Mart Scientific Instrument Corporation

Profs. J. M. McGinnis and J. R. Yeager, Harvard Business School

Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc.

Profs. Gregory S. Miller and Christopher Noe, Harvard Business School xxvi Index and Source of Cases

Shelter Partnership, Inc. Shuman Automobiles, Inc.

Silver Appliance Company

Sinclair Company

Springfield National Bank

Stafford Press

Stern Corporation (A) Stern Corporation (B) Stone Industries

SunAir Boat Builders, Inc.

Supplement to Identify the Industries

Tru-Fit Parts, Inc.

UAL Corporation

UPC, Inc.

Waikerie Co-operative Producers, Ltd. Waltham Oil and Lube Center, Inc.

Wilkerson company Woodside Products

Xytech, Inc.

Zumwald AG

A. M. McCosh and Profs. David Hawkins, J. R. Yeager, and James S. Reece, Harvard Business School Prof. James S. Reece, University of Michigan

Prof. Ray G. Stephens, The Ohio State University

Prof. James S. Reece, University of Michigan Prof. James S. Reece, University of Michigan Prof. R. Cooper, Harvard Business School

Profs. M. E. Bennett and James S. Reece, Harvard

Business School

Prof. Charles M. Williams, Harvard Business School

Prof. James S. Reece, University of Michigan

Prof. David Hawkins, Harvard Business School, and

Dale Shilling

Prof. Robert S. Kaplan, Harvard Business School Prof. James S. Reece, University of Michigan

Profs. Kenneth A. Merchant and Wim A. Van der Stede,

University of Southern California