

Cost Management: A Strategic Emphasis, 8e

Edward Blocher and David Stout and Paul Juras and Steven Smith

©2019

ISBN: 1259917029

Chapter by Chapter Changes

Part One: Introduction to Strategy, Cost Management, and Cost Systems

Chapter 1: Cost Management and Strategy

- All Real-World Focus items updated, especially those regarding globalization and ethics;
- updated the Cost Management in Action question; updated surveys on strategy and ethics; updated content on real-world information used throughout the chapter, including the exercises and problems
- Added a new heading under The Global Business Environment to explain the new economic nationalism trends that oppose globalization, including the United Kingdom vote in 2016 to separate from the EU (referred to as “Brexit”)
- Four new exercises and problems, including two on Brexit; updates to several other exercises and problems that are based on current, real-world information

Chapter 2: Implementing Strategy: The Value Chain, the Balanced Scorecard, and the Strategy Map

- Added a consideration of Brexit to many of the Real-World Focus items and to the discussion of SWOT analysis
- All Real-World Focus and Cost Management in Action items revised and updated, particularly the item on currency fluctuation; real-world information throughout the chapter revised and updated including the latest about the Paris Climate Agreement
- Expansion and update of the chapter opener to include recent acquisitions by Amazon and Walmart
- The Cost Management in Action question updated for recent events regarding Apple and Samsung
- Five new problems and several revised exercises and problems

Chapter 3: Basic Cost Management Concepts

- Updated chapter opener to reflect more recent events at P&G

- Added the Five Steps of Strategic Decision Making to the discussion of cost drivers
- New Real-World Focus titled "Changing views on globalization and impact on structural cost drivers," which focuses on changes in global supply chains

Chapter 4: Job Costing

- New Learning Objective added to explain how to apply job costing in service industries
- Updated chapter opener related to the use of job costing by construction companies
- New Cost Management in Action box titled "Is job costing a match for Caterpillar's manufacturing process?" which addresses job costing at Caterpillar, a manufacturer of construction and mining equipment
- Two new Real-World Focus items; one titled "3-D printing and overhead allocations," and the other, titled "Tariffs can affect specialty manufacturers," which deals with import tariffs

Chapter 5: Activity-Based Costing and Customer Profitability Analysis

- Updated chapter opener to reflect the use of activity-based costing for a company with an expanding product line
- Enhanced discussion of idle capacity costs
- A new Real World Focus item titled "Excess capacity at Caterpillar," which focuses on idle capacity
- A new Cost Management in Action box titled "Customer Profitability in an E-commerce world"

Chapter 6: Process Costing

- Updated chapter opener to reflect recent events at Coca-Cola
- Updated sustainability related comments in the Cost Management in Action item to reflect more current events
- New Real-World Focus item titled "Putting Pepsi in the can and potato chips in the bag," which contains links to videos for filling soda cans and for making potato chips

Chapter 7: Cost Allocation: Departments, Joint Products, and By-Products

- Updated chapter opener
- One new Real-World Focus item titled "Direct streaming: Content is not the only cost,"
- Updated comments for the Cost Management in Action box relating to cost allocation in health care

Part Two: Planning and Decision Making

Chapter 8: Cost Estimation

- Updated chapter opener, including a quote from Steve Jobs related to using past information for planning
- Two updated Real-World Focus items. One titled "Applications of regression analysis: Using business analytics" and the other titled "Applications of learning curves"
- Updated content and comments for the Cost Management in Action item titled "Using regression to estimated construction costs" to now include a global context and focus on sustainability

Chapter 9: Short-Term Profit Planning: Cost-Volume-Profit (CVP) Analysis

- Updated chapter opener to include iHeartMedia
- One new Real-World Focus item titled "Different ways to reach breakeven"
- Two updated Real-World Focus items. One titled "Cost planning: Own your own wheels?" and the second titled "Analysis of Social Security retirement benefits"
- Addition of a Cost Management in Action item titled "Managing profitability under different cost structures"

Chapter 10: Strategy and the Master Budget

- Updated chapter opener to reflect more recent information for J&J
- A quote from Dwight Eisenhower added
- A new Real-World Focus item titled "Justifying expenditures through zero-base budgeting"
- New Cost Management in Action box titled "Changing traditional budgeting practices" which focuses on behavioral issues in budgeting

Chapter 11: Decision Making with a Strategic Emphasis

- New chapter opener, based on Apple Inc.
- Three new Real-World Focus items: one titled "Business Analytics, Decision Making, and the Role of the Management Accountant" (based on a July 2016 CGMA Report), one titled "The 'Sourcing Decision' for Labor Services: Make vs. Buy?", and one titled "How to Avoid Decision-Making/Judgment Biases" (based on a February 2015 Journal of Accountancy article)
- New Cost Management in Action (CMA) item: "Defining a Strategic Role for Sustainability Accounting and Reporting"
- New discussion of Brexit, in conjunction with the make-vs.-buy decision

Chapter 12: Strategy and the Analysis of Capital Investments

- Updated chapter opener (introductory quote by Peter S. Drucker and capital-budgeting examples from a cross-section of industries)
- New discussion of types of capital budgeting projects (independent, dependent, and mutually exclusive) and "Recent Development: Foreign Capital Investment in the U.S. and Economic Protectionism" (as an outgrowth of Brexit)
- Newly added references regarding the reinvestment rate assumption associated with the IRR method and the use of MIRR (modified internal rate of return)
- Newly added Cost Management in Action (CMA) item: "Real-Options Analysis in the Motion Picture Industry"
- Two new end-of-chapter problems, one dealing with the issue of multiple internal rates of return, the other dealing with mutually exclusive projects and the use of net present value (NPV) vs. IRR for project-evaluation purposes

Chapter 13: Cost Planning for the Product Life Cycle: Target Costing, Theory of Constraints, and Strategic Pricing

- Updated chapter opener to reflect more recent events at Toyota
- Two new Real-World Focus items. One titled "Downside to disruption" and the other titled "Cost savings through recycling"
- Revised Cost Management in Action box titled "Global supply chains" to reflect the growing importance of understanding global supply chains

Part Three: Operational-Level Control

Chapter 14: Operational Performance Measurement: Sales, Direct-Cost Variances, and the Role of Nonfinancial Performance Measures

- New chapter opener, based on United Parcel Services (UPS)
- Updated Real-World Focus (RWF) box: “Consumers: Demystifying Changes in Natural Gas Bills”
- New Cost Management in Action (CMA) item: “Driving Innovation and Improvements in Health Care Delivery—the Role of Management Accounting Systems”
- Two new Real-World Focus (RWF) boxes: “Operating Process Improvements and JIT” (using examples from Toyota, Dell, Harley Davidson, and McDonald’s), and “Sourcing Decisions, Brexit, and JIT”
- New end-of-chapter problem titled “Standard Cost Systems, Lean Companies, and Value-Stream Reporting”

Chapter 15: Operational Performance Measurement: Indirect-Cost Variances and Resource Capacity Management

- New chapter opener, based on Southwest Airlines and the need for capacity management in the airlines industry
- One new exercise, dealing with the variance investigation decision
- Two new end-of-chapter problems: one dealing with standard cost variance analysis and interpretations, the other a summary problem dealing with a four-variance breakdown of the total overhead variance and the recording, and end-of-period disposition, of standard cost variances
- Material (text and related end-of-chapter assignments) related to the Variance Investigation Decision Under Uncertainty section has been removed from the Appendix and made available as an online supplement (Chapter 15)

Chapter 16: Operational Performance Measurement: Further Analysis of Productivity and Sales

- Updated chapter opener that includes a quote from Paul Gauguin
- Updated Real-World Focus item titled “How companies improve productivity and reduce costs”
- Updated content and related comments for Cost Management in Action item titled “Productivity: Not so easy to measure”

Chapter 17: The Management and Control of Quality

- New chapter opener, based on the health care sector
- Three new Real-World Focus (RWF) items: “Quality Ranking Systems for U.S. Colleges” (weighting of financial factors in the college-selection process), “Using Cost of Quality (COQ) to Support Cost-Containment Efforts in a Hospital Setting,” and “The Quality Costs of Privacy”; updated RWF boxes for “How Costly is Poor Quality?” and “Ratings of U.S. Airlines Based on the Airline Quality Rating (AQR) System”
- New Cost Management in Action (CMA) item: “Wall Street Journal/Times Higher Education (THE) Quality Rankings of U.S. Colleges and Universities”
- Expanded discussion of the Baldrige Quality Award and a new discussion of the Shingo Prize, along with a list of recent winners of this award
- Expanded discussion of sources of “waste” (within the context of lean, kaizen, and

- continuous-improvement initiatives)
- Two new end-of-chapter problems, one dealing with “Decision Analysis and Cost-of-Quality (COQ) Trade-Offs,” the other dealing with the preparation and interpretation of histograms, run charts, and statistical process control charts

Part Four: Management-Level Control

Chapter 18: Strategic Performance Measurement: Cost Centers, Profit Centers, and the Balanced Scorecard

- A significant revision of the text material on employment contracts
- Three new Real-World Focus items using recent events and trends to address decentralization, responsibility centers, and outsourcing
- A new Cost Management in Action (CMA) item addressing subjective performance evaluation as a strategic performance measurement tool
- All brief exercises converted to multiple-choice format
- Four exercises and four problems augmented by the addition of multiple-choice requirements

Chapter 19: Strategic Performance Measurement: Investment Centers and Transfer Pricing

- A new chapter introduction, focused on the return on investment of the 2017 NBA Champion Golden State Warriors
- Two new Real-World Focus items (focusing on short- versus long-term strategy and multinational transfer pricing) with updates to three others
- A new Cost Management in Action item focused on the management implications of shifting responsibility center designation
- Auto-gradable requirements added to five problems

Chapter 20: Management Compensation, Business Analysis, and Business Valuation

- A new chapter introduction focused on executive compensation and bonus incentives at United Parcel Service (UPS)
- Three new Real-World Focus items (focusing on SEC rules on pay disclosure and linking pay to performance) with updates to three others
- Auto-gradable and multiple-choice requirements added to seven exercises and seven problems
- Combined Learning Objectives 1 and 2 (LO1, LO2) from the seventh edition into one learning objective

Find Your Rep at mhhe.com/rep



Because learning changes everything.™