Chapter 1 - Management Accounting and Health Care’s Impending Fiscal Crisis

- Learning Objectives
- Organization of the Chapter
- Four Forces Affecting Health Care Costs
- Demographic Changes
- Spending Patterns for the Elderly
- Morbidity in the Nonelderly Population
- Complexity of the Health Care Market
- Responding to the Four Forces
- Case Mix and Volume
- Resources per Case
- Cost per Resource Unit
- Fixed Costs
- The Health Care Food Chain
- The Food Chain versus the Value Chain
- Impact of the Affordable Care Act
- Cost Control Is Everyone’s Business
- Management Accounting Systems
- Key Terms
- To Bear in Mind
- Test Yourself
- Suggested Cases
- Practice Case: Central Valley Primary Care Associates

Chapter 2 - Essentials of Full-Cost Accounting

- Learning Objectives
- Organization of the Chapter
- Uses of Full-Cost Information
- Pricing Decisions
- Profitability Assessments
- Comparative Analyses
- Issues to Consider in Calculating Full Costs
- Resource Use: A Conceptual Framework
- Units of Measure
- Limitations
- Cost Drivers
- The Full-Cost Accounting Methodology
• Decision 1: Defining the Final Cost Objects
• Decision 2: Determining Mission and Support Cost Centers
• Decision 3: Distinguishing between Direct Costs and Indirect Costs
• Decision 4: Choosing Allocation Bases for Support Center Costs
• Decision 5: Selecting an Allocation Method
• Decision 6: Attaching a Mission Center’s Costs to Its Cost Objects
• Managerial Judgment
• Determining the Impact on Customer Prices
• Some Pricing Complications
• Summary of Cost Accounting Choices
• Key Terms
• To Bear in Mind
• Test Yourself
• Suggested Cases
• Practice Case: Mossy Bog Laboratories
• Appendix 2A: The Reciprocal Method of Cost Allocation
• Appendix 2B: Pricing in Nonprofit Organizations

Chapter 3 - Cost Behavior

• Learning Objectives
• Organization of the Chapter
• The Nature of Costs
• Fixed Costs
• Step-Function Costs
• Variable Costs
• Semivariable Costs
• Separating the Fixed from the Variable
• Relationship between Cost Behavior and Full-Cost Accounting
• Cost Behavior in Organizations
• Cost-Volume-Profit Analysis
• Unit Contribution Margin
• Incorporating Other Variables into CVP Analysis
• Profit or Surplus Considerations
• Special Considerations in CVP Analysis
• CVP Analysis with Semivariable Costs
• CVP Analysis with Step-Function Costs
• CVP Analysis with Multiple Products or Services
• The Impact of Product Mix
• CVP Analysis for a New Product
• Contribution
• Key
• To Bear in Mind
Test Yourself Suggested Cases
Practice Case A: Huntington Hospital
Practice Case B: Jiao Tong Hospital

Chapter 4 - Differential Cost Accounting

Learning Objectives
Organization of the Chapter
The Differential Cost Concept
Principle 1: Full-Cost Information Can Be Misleading
Principle 2: Differential Costs Can Include Both Fixed and Variable Costs
Principle 3: Assumptions Are Needed
Principle 4: Causality Is Needed
Principle 5: Sensitivity Analysis Can Be Helpful
Principle 6: A Contribution Income Statement Can Be Useful
Sunk Costs
Sunk Costs and Intuition
Sunk Costs in Organizational Settings
The Strategic Perspective
The Outsourcing Situation
Keeping or Dropping a Product Line
Sporadic Use of the Strategic Perspective
Precision of Depreciation
Growing Importance of the Strategic Perspective
Nonquantitative Considerations
Allocated Overhead
Misleading Allocation Bases
Effects of the Stepdown Sequence
The Analytical Effort
Key Terms
To Bear in Mind
Test Yourself Practice Case: Narcolarm
Suggested Cases

Chapter 5 - Activity-Based Costing

Learning Objectives
Organization of the Chapter
Health Care’s Stage 2 Challenge
The Ratio of Costs to Charges
Solving the Problem
A Functional Classification of Manufacturing Costs
Direct Manufacturing Costs
Indirect Manufacturing Costs
• Applicability to Health Care
• Some Terminology Cautions
• Computing a Product’s Full Cost
• Process System
• Job Order System
• Unit Costs
• The Overhead Rate
• Absorption Costing in Health Care Organizations
• Activity-Based Costing
• Conditions for ABC
• Establishing Multiple Second-Stage Overhead Rates
• A General Approach
• Key Terms
• To Bear in Mind
• Test Yourself
• Suggested Cases
• Practice Case A: Lincoln Dietary Department
• Practice Case B: Owen Hospital

Chapter 6 - Responsibility Accounting: An Overview

• Learning Objectives
• Organization of the Chapter
• Cost Accounting and Responsibility Accounting
• Designing a Responsibility Accounting System
• The Responsibility Accounting Structure
• Types of Responsibility Centers
• Role of Senior Management
• The Design Process
• Aligning Responsibility and Control: The Fairness Criterion
• The Responsibility Accounting Framework
• Strategic Planning
• Task Control
• Management Control
• Formal Management Control Activities
• Programming
• Budgeting
• Operating and Measuring
• Reporting
• Key Terms
• To Bear in Mind
• Test Yourself
• Suggested Cases
• Practice Case: Akron Public Health Department
Chapter 7 - Designing the Responsibility Accounting Structure

- Learning Objectives
- Organization of the Chapter
- Making Profit Centers Work
- The Fairness Criterion
- The Goal Congruence Criterion
- Transfer Pricing Arrangements
- The Cross-Subsidization Policy
- Design Complications
- Matrix Organizations
- Complex Matrix Organizations
- Responsibility Centers and Motivation
- Role of Contingent Compensation
- Overarching Themes
- Link to the Responsibility Accounting System
- Transfer Pricing Problems
- Issues to Consider in Setting Transfer Prices
- Autonomy versus Central Control
- Rules of the Game
- Price Consistency
- Standby Capacity
- Relation to Informal Authority and Influence
- Key Terms
- To Bear in Mind
- Test Yourself
- Suggested Cases
- Practice Case: Valley Hospital

Chapter 8 - Programming

- Learning Objectives
- Organization of the Chapter
- Programming: An Overview
- Capital Budgeting Techniques
- Capital Investment Decision Making
- Tax Effects
- Selecting A Discount Rate
- Step 1: Agree on an Interest Rate for Equity
- Step 2: Determine the Interest Rates for Liabilities
- Step 3: Compute the Weighted Cost of Capital
- Step 4: Use the WCC to Determine the Rate of Return Needed for Fixed Assets
- Incorporating Risk into the Analysis
- Nonquantitative Considerations
Chapter 9 - Operational Budgeting

- Learning Objectives
- Organization of the Chapter
- General Nature of the Operating Budget
- Relationship between Programming and Budgeting
- Contrast with Manufacturing Companies
- Managerial Context for the Operating Budget
- Organizational Context
- Budgeting Context
- Budget Formulation
- Reporting Results
- Components of the Operating Budget
- Revenues
- Expenses
- Nonfinancial Measures
- Steps in Formulating the Operating Budget
  - Step 1: Disseminating Guidelines
  - Step 2: Preparing Revenue Budgets
  - Step 3: Preparing Expense Budgets for Profit and Standard Expense Centers
  - Step 4: Preparing Expense Budgets for Discretionary Expense Centers
  - Step 5: Preparing the Master Budget
- Use of Models
- Important Features
- Related Organizational Aspects
- Expense Creep
- Behavioral Issues
- Role of Professionals
- Toward More Effective Budgeting
- Key Terms
- To Bear in Mind
- Test Yourself
- Suggested Cases
Chapter 10 - The Cash Budget

- Learning Objectives
- Organization of the Chapter
- Link to the Dual-Aspect Concept
- Cash-Related Cycles
- The Operating Cycle
- The Financing Cycle
- The Revenue Cycle
- Financial Accounting versus Financial Management
- Key Cash Management Concepts
- Debt Structure
- Leverage
- The Role of Profit (or Surplus)
- Making the Forecasts
- Growth
- Product Line Changes
- The Statement of Cash Flows
- Operating Activities
- Investing Activities
- Financing Activities
- Key Terms
- To Bear in Mind
- Test Yourself
- Suggested Cases
- Practice Case: Gotham Meals on Wheels

Chapter 11 - Measuring and Reporting

- Learning Objectives
- Organization of the Chapter
- The Measuring Phase
- Aligning Responsibility with Control
- Measuring Techniques
- Flexible Budgeting
- Variance Analysis
- A Graphic Illustration
- Calculating Variances
- Managerial Uses of Variances
- Limitations of Variance Analysis
- The Reporting Phase
Chapter 12 - Implementing a New Responsibility Accounting System