

Contents

Preface xi

About the Author xiii

Free Online Resources by Steve Bragg xv

1 Budgeting Decisions 1

- How Does the System of Interlocking Budgets Work? 1
- What Does a Sample Budget Look Like? 10
- How Does Flex Budgeting Work? 28
- What Best Practices Can I Apply to the Budgeting Process? 29
- How Can I Integrate the Budget into the Corporate Control System? 35
- How Do Throughput Concepts Impact the Budget? 37

2 Capital Budgeting Decisions 44

- How Does a Constrained Resource Impact Capital Budgeting Decisions? 44
- What Is the True Cost of a Capacity Constraint? 45
- How Do I Identify a Constrained Resource? 47
- When Should I Invest in a Constrained Resource? 49
- Should I Increase Sprint Capacity? 49
- How Closely Should I Link Capital Expenditures to Strategy? 50
- What Format Should I Use for a Capital Request Form? 51
- Should I Judge Capital Proposals Based on Their Discounted Cash Flows? 51
- How Do I Calculate the Cost of Capital? 54
- When Should I Use the Incremental Cost of Capital? 58
- How Do I Use Net Present Value in Capital Budgeting? 60
- What Proposal Form Should I Require for a Cash Flow Analysis? 62
- Should I Use the Payback Period in Capital Budgeting? 64
- How Can a Post-Completion Analysis Help Me? 65
- What Factors Should I Consider for a Site Selection? 67

3 Credit and Collection Decisions 69

- How Do I Create and Maintain a Credit Policy? 70
- When Should I Require a Credit Application? 72
- How Do I Obtain Financial Information About Customers? 73
- How Does a Credit Granting System Work? 74
- What Payment Terms Should I Offer to Customers? 76

When Should I Review Customer Credit Levels?	77
How Can I Adjust the Invoice Content and Layout to Improve Collections?	78
How Can I Adjust Billing Delivery to Improve Collections?	80
How Do I Accelerate Cash Collections?	81
Should I Offer Early Payment Discounts?	82
How Do I Optimize Customer Contacts?	82
How Do I Manage Customer Contact Information?	83
How Do I Involve the Sales Staff in Collections?	85
How Do I Handle Payment Deductions?	86
How Do I Collect Overdue Payments?	88
When Should I Take Legal Action to Collect from a Customer?	90
4 Control System Decisions	92
Why Do I Need Controls?	92
How Do I Control Order Entry?	93
How Do I Control Credit Management?	94
How Do I Control Purchasing?	95
How Do I Control Procurement Cards?	96
How Do I Control Payables?	100
How Do I Control Inventory?	101
How Do I Control Billings?	102
How Do I Control Cash Receipts?	103
How Do I Control Payroll?	104
How Do I Control Fixed Assets?	106
5 Financial Analysis Decisions	110
How Do I Calculate the Breakeven Point?	110
What Is the Impact of Fixed Costs on the Breakeven Point?	112
What is the Impact of Variable Cost Changes on the Breakeven Point?	113
How Do Pricing Changes Alter the Breakeven Point?	114
How Can the Product Mix Alter Profitability?	115
How Do I Conduct a “What-If” Analysis with a Single Variable?	116
How Do I Conduct a “What-If” Analysis with Double Variables?	118
How Do I Calculate Cost Variances?	121
How Do I Conduct a Profitability Analysis for Services?	128
How Are Profits Affected by the Number of Days in a Month?	130
How Do I Decide Which Research and Development Projects to Fund?	131
How Do I Create a Throughput Analysis Model?	133
How Do I Determine whether More Volume at a Lower Price Creates More Profit?	135
Should I Outsource Production?	137

- Should I Add Staff to the Bottleneck Operation? 137
- Should I Produce a New Product? 139

6 Payroll Decisions 143

- How Can I Automate Time Clock Data Collection? 144
- How Do I Collect Time Information by Telephone? 145
- How Can I Simplify Payroll Deductions? 146
- How Do Employees Enter Their Own Payroll Changes? 147
- How Do I Automate Payroll Form Distribution? 148
- Should I Pay Employees via Direct Deposit? 149
- How Do Paycards Compare with Payments by Direct Deposit? 150
- What Issues Should I Consider When Setting Up a Paycard Program? 152
- How Do I Make Electronic Child Support Payments? 152
- How Do I Automate Payroll Remittances? 153
- Should I Outsource Payroll? 153
- Can I Outsource Employment Verifications? 155
- Can I Outsource Benefits Administration? 156
- How Many Payroll Cycles Should I Have? 157
- How Can I Reduce the Number of Employee Payroll-Related Inquiries? 158

7 Inventory Decisions 160

- How Do I Manage Inventory Accuracy? 160
- How Do I Identify Obsolete Inventory? 165
- How Do I Dispose of Obsolete Inventory? 167
- How Do I Set Up a Lower of Cost or Market System? 169
- Which Inventory Costing System Should I Use? 170
- Which Inventory Controls Should I Install? 183
- What Types of Performance Measurements Should I Use? 186
- How Do I Maintain Service Levels with Low Inventory? 192
- Should I Shift Inventory Ownership to Suppliers? 194
- How Do I Avoid Price Protection Costs? 195

8 Cost Allocation Decisions 197

- What Is the Basic Method for Calculating Overhead? 197
- How Does Activity-Based Costing Work? 199
- How Should I Use Activity-Based Costing? 206
- Are There Any Problems with Activity-Based Costing? 207
- How Do Just-in-Time Systems Impact Cost Allocation? 209
- How Does Overhead Allocation Impact Automated Production Systems? 211
- How Does Overhead Allocation Impact Low-Volume Products? 211
- How Does Overhead Allocation Impact Low-Profit Products? 211
- How Do I Allocate Joint and Byproduct Costs? 213

9 Performance Responsibility Accounting Decisions 217

- What Is Responsibility Accounting? 217
- What Are the Types of Responsibility Centers? 218
- Should Allocated Costs Be Included in Responsibility Reports? 221
- What Is Balanced Scorecard Reporting? 222
- How Does Benchmarking Work? 224

10 Product Design Decisions 227

- How Do I Make Funding Decisions for Research and Development Projects? 227
- How Does Target Costing Work? 229
- What Is Value Engineering? 230
- How Does Target Costing Impact Profitability? 233
- Are There Any Problems with Target Costing? 235
- What Is the Accountant's Role in a Target Costing Environment? 236
- What Data is Needed for a Target Costing Analysis? 237
- How Do I Control the Target Costing Process? 239
- Under What Scenarios Is Target Costing Useful? 240
- How Can I Incorporate Target Costing into the Budget? 241
- How Can I Measure the Success of a Target Costing Program? 241

11 Pricing Decisions 243

- What Is the Lowest Price that I Should Accept? 243
- How Do I Set Long-Range Prices? 245
- How Should I Set Prices Over the Life of a Product? 247
- How Do I Determine Cost-Plus Pricing? 249
- How Should I Set Prices Against a Price Leader? 249
- How Do I Handle a Price War? 250
- How Do I Handle Predatory Pricing by a Competitor? 252
- How Do I Handle Dumping by a Foreign Competitor? 253
- When Is Transfer Pricing Important? 254
- How Do Transfer Prices Alter Corporate Decision Making? 255
- What Transfer Pricing Method Should I Use? 256

12 Quality Decisions 264

- What Are the Various Types of Quality? 264
- How Do I Create a Quality Reporting System? 269
- What Is the Cost of Scrap? 277
- How Should I Measure Post-Constraint Scrap? 279
- Where Should I Place Quality Review Workstations? 280

Index 281