INDEX

A

ABC. See Activity-based costing
Absorbed overhead. See Attached overhead
Absorption costing, ABC and, 139–140
Academic medical center (AMC), 200–201, 205
Account classifications, of responsibility accounting system, 343
Account executives, 195–196
Account receivable, 283, 302n2
Accountability, 344
Accounting: cash budgeting and, 279, 285–286; dual-aspect concept of, 280–281; equation, 280; financial management vs., 285–286; GAAP for, 33; understanding of, 279; view, 105–107. See also Cost accounting:
Management accounting
Accounts payable, 280
Accrued expenses, 282
Accrued wages, 282
Accuracy, reporting, 321–324
Achievement motives, 198
Activity-based costing (ABC): absorption costing and, 139–140; benefits of, 12, 145; conditions for, 141–142; defined, 140; full product cost computed in, 132–139; general approach to, 146–151; job order system in, 126–127, 132–133; Lincoln Dietary Department practice case, 151–154; manufacturing costs and, 129–132; MOH and, 130–132, 134–136, 139–141, 151; overhead rate and, 133–139, 141–145; overview of, 125–126; Owen Hospital practice case, 151, 154–159; process system in, 126, 132; RCC and, 127–129, 151; stage 2 challenge of, 126–129; uses of, 145
Administration costs, 36–45, 49, 56–57, 103, 155
Affiliation motives, 198
Affordable Care Act: defined, 5; impact of, 15–16
AICPA. See American Institute of Certified Public Accountants
Akron Public Health Department, 183–187
Aligning incentives, 191
All-inclusive price, 64–65
Allocated overhead: in differential cost accounting, 116–120; misleading allocation bases in, 116–118; stepdown sequence and, 118, 120
Allocation: dimensions, 195; distribution vs., 46; in full-cost accounting, 41–50, 54; methods, 46–50, 56–57; rate, 44–46; sequence, 48–50
Allocation bases: alternative choice decisions and, 117; misleading, 116–118; for MOH, 135; for support center costs, 41–46, 116–120, 180
Alston Health System, 172
AMC. See Academic medical center
American Institute of Certified Public Accountants (AICPA), 72n10
Anticipated grant revenues, 255–256
Applied overhead. See Attached overhead
Apportionment, 46
Arlmont Hospital, 275
Assumptions, in differential cost accounting, 102–103
Authority: of chief executive, 343; formal, 204; and influence process, 345, 347–348; informal, 203–205; of line managers, 343
Automation, 174
Autonomy, 164, 202–204
B
Balance sheet, in cash budgeting, 280–281
Balanced scorecard (BSC): defined, 328; management control and, 181; nonfinancial measures, 328; organizational context and, 250; performance rewards and, 192; reporting and, 328
Batch-related activities, 142
Behavior, of clients and managers, 58–59. See also Cost behavior
Behavioral aspects: of budgeting, 248–249, 253, 268, 270; of reporting, 324
Behavioral criteria, for responsibility accounting system, 342
Benefit-cost analysis: causality in, 238; equal-cost programs and, 238; goal clarification in, 236–237; in governmental organizations, 235–243; objectives in, 238; overreliance on, 239; of programming, 235–239, 243; proposals susceptible to, 237–238; quantified value of human life and, 239–243; summarized, 243
Benefit-cost way of thinking, 239
Benzene, exposure standard for, 242
Billing system, MPP, 359–362
Blood tests, 111. See also Complete blood counts
Body scanners, 109–110
Bonuses, 191–192, 197, 252
Borrowing, 283
Breakeven volume, 80, 87
BSC. See Balanced scorecard
Budget monitoring, 248. See also Reporting
Budgeting: behavioral aspects of, 248–249, 253, 268, 270; context, 250–252; final approval of, 179; guidelines, 178, 258–259; importance of, 344; line managers and, 178, 245, 247, 252, 270, 274; in management control, 177–179, 246, 344, 348; manager participation in, 343; in manufacturing companies, 248; mechanical aspects of, 248–249, 252–254; negotiation in, 178–179, 267–268; phase, 248–249; process criteria and, 342; programming and, 246–247, 279; reporting and, 182, 276–277; responsibility centers and, 245–247. See also Capital budgeting techniques; Cash budgeting; Fixed budgeting; Flexible budgeting; Operational budgeting
Bundled pricing, 6, 15–16, 53, 71n4
Bureau of Land Reclamation, 235
Bureau of Motor Equipment, 184–187
Business risk, 289–290, 299
Buzzard Glen Hospital, 133–135

C
CABG. See Coronary artery bypass graft
Calculators, present value function of, 215, 217–218, 232
Capital: resource use and, 33–35; types, 34–35. See also Weighted cost of capital
Capital budgeting techniques: capital investment decision making, 213–218, 227; programming and, 212–218; tax effects, 218
Capital investment: capital budgeting techniques and, 213–218, 227; decision making, 213–218, 227; implementation, 227–228; IRR and, 217–218; net present value and, 214–217, 227; payback period and, 213–214; return on, 176
Care: hospice, 11–12; in hospitals, 11, 26n7, 155–156, 163; inpatient, 155–156, 163; quality, 324–325
CASB. See Cost Accounting Standards Board
Case, resources per, 7–11, 26n9
Case managers, 285
Case mix: estimates, 269; volume and, 7–8, 36
Cash flows: depreciation implications for, 243n1; projected, 216, 222. See also Statement of cash flows
Cash-related cycles: cash budgeting and, 281–286; financial accounting vs. financial management and, 285–286; financing cycle,
Index

281, 283–285; operating cycle, 281–283, 302n2; revenue cycle, 285, 303n4
Catalonia, 3–4
Causality: in benefit-cost analysis, 238; in differential cost accounting, 102–103
CBCs. See Complete blood counts
Centers for Medicare & Medicaid Services, 9, 26n5
Central control, 202
Central staff , 178
Central Valley Primary Care Associates (CVPCA) practice case, 19–25
Change: demographic, 1–4; management, 349–352; operation, 181–182; product line, 294; resistance to, 349–352
Change efforts: consolidating and moving forward in, 351–352; managing, 349–352; in responsibility accounting system, 349–352; short-term wins in, 350–351
Charges, in RCC, 127–129, 151
Charns, Martin, 349–351
Chief executive, 343
Chief-service patients, 356–357
Chrysler, 145
Circular A-21, 32–33
Clearwater Ambulance Service: cost behavior and, 87–89, 99; differential cost accounting and, 100–104
Client: behavior, 58–59; management process, 346–347; subsidized, 68
Clinical care departments, 199
Clinical pathways, for DRGs, 248
Clinical service departments, 262
Coercion, 350
Collective department, 140
Combination effect, 310
Commonwealth Medical School, 327–328
Communication, 350
Community hospitals, teaching hospitals compared with, 128–129
Community impact, evaluation of, 225
Comparative analyses, 30–32
Complete blood counts (CBCs), 35, 132, 134, 207–208; defined, 11–12; product line, 111–113
Complex matrix organizations, 195–197
Computex, 137–139
Concord Health Network, 31
Concord Rehabilitation Hospital, 119–120
Conflict management: process, 204, 346–348; programming and, 212, 226–227
Congestive heart failure, 16–17
Consolidating, in change efforts, 351–352
Constraints, 258–259
Contingency theory, 165
Contingent compensation, 197–198
Contractual allowances, 302n2
Contribution: cost behavior and, 89–93; defined, 89, 100. See also Unit contribution margin
Contribution income statement: alternative choice decisions and, 104, 112, 121; cost behavior and, 89–91, 93; differential cost accounting and, 104, 112, 121
Controlling agents, of variances, 317
Co-optation, 350
Core believers, 350, 352
Coronary artery bypass graft (CABG), 11–12
Corporate staff analyses, 267
Corrective action, 324
Cost accounting: responsibility accounting and, 161–163; stage 1, 125; stage 2, 125–129. See also Activity-based costing; Differential cost accounting; Full-cost accounting
Cost Accounting Standards Board (CASB), 47, 71n6
Cost behavior: Clearwater Ambulance Service and, 87–89, 99; differential cost accounting and, 100–104
Cost centers: in full-cost accounting, 36–39, 41–46, 48–50; job order system in, 50, 126–127; multiple, 37, 39, 51–52; process system in, 50, 126; responsibility accounting and, 162; single, 51–52. See also Discretionary expense centers; Mission center costs; Standard expense centers; Support center costs

Cost drivers, 2, 274; case mix and volume, 7–8, 36; controlling, 145; cost per resource unit, 7, 11–12; fixed costs, 7, 12–13, 36; full-cost accounting and, 35–36; multiple second-stage, 12, 142–146; resources per case, 7–11, 26

Cost objects: final, 36–37; in full-cost accounting, 36–37, 50–51; mission center costs attached to, 36, 50, 53–54, 125, 131, 180

“Cost Principles for Educational Institutions” (Office of Management and Budget), 32–33

Cost-influencing decisions, 1

Cost-plus pricing, 66

Costs: administration, 36–45, 49, 56–57, 103, 155; control of, 16–17, 145, 274; cutting, 255; differential, 99–104; direct, 36, 39–40, 51, 129–131; discretionary, 248; diversity, 141; estimation of, 61; forces influencing, 1–13, 18; indirect, 36, 39–40, 46, 51, 77, 127; inpatient care, 155–156, 163; nature of, 73–78; opportunity, 113, 238; outpatient, 32; per resource unit, 7, 11–12; pools of, 142–145, 151; sampling, 141; structure, 250–251, 274. See also Benefit-cost analysis; Cost centers; Fixed costs; Full product cost; Manufacturing costs; Overhead costs; Ratio of costs to charges; Semivariable costs; Step-function costs; Sunk costs; Unit costs; Variable costs; Weighted cost of capital

Cost-volume-profit (CVP) analysis: contribution in, 89–92; cost behavior and, 73, 79–92; fundamental profit equation for, 79–81; with multiple products or services, 85–92; for new product, 87–89; product mix and, 86–87; profit considerations, 82; semivariable costs and, 82–83; special considerations, 82–92; step-function costs and, 82–83; unit contribution margin in, 81–82, 87, 92; variables, 82

Cross-functional activities: defined, 345; in responsibility accounting system, 345–347

Cross-subsidization, 30, 67, 145, 192–193

Crozier, Michel, 205

Cultural maintenance process, 346–347

Culture: defined, 204; operational budgeting and, 250, 270; programming influencing, 212, 226–227

Customer prices, 51–53

CVP analysis. See Cost-volume-profit analysis

CVPCA. See Central Valley Primary Care Associates practice case

D

Daily charge, 65

Debt: growth and, 292–293; long-term, 291; service, 283–285; structure, 286–288

Decision making: capital investment, 213–218, 227; cost-influencing, 1; in full-cost accounting, 125; pricing, 30; uncertainty and, 205. See also Alternative choice decisions

Demographic changes, 1–4

Department managers, 178

Department of mental health, 195–196

Department of Transportation, U.S. (DOT), 236


Diagnosis-related groups (DRGs), 10, 32, 37, 52; clinical pathways for, 248; defined, 6; losers, 63; operational budgeting for, 248, 261–266, 272–274, 277n4; RCC and, 128, 151; unit performance for, 324

Dialysis. See Renal dialysis

Dietary department, 260


Differential costs, 99–104

Difficulty, impact vs., 351

Direct costs, 36, 39–40, 51, 129–131

Direct labor, 129–131, 134–135
Direct manufacturing costs, 129–130
Direct materials, 129–131
Direct method, 47
Direct SCF, 295–296
Direct support, 34
Discount rate: defined, 215; hurdle rate, 221–222; programming and, 211, 215, 218–223, 244n3; risk and, 222–223; selecting, 218–223; WCC and, 219–222; weighted ROA and, 219–221
Discretionary costs, 248
Discretionary expense centers: defined, 166; expense budgets for, 260; as responsibility centers, 166, 168, 183, 195–196
Discretionary revenues, 255
Disinvesting, 297
Distribution, allocation vs., 46
Diversity, 141
Domino Labs, 146–148
DOT. See Department of Transportation, U.S.
Dowry, 223, 244n5
DRGs. See Diagnosis-related groups
Drill-down capability, 319, 330
Dual-aspect concept, 280–281, 288

E
Earnings approach, 240–241
Economic life, of assets, 213, 215
Economic principles, 174
Economic proposals, benefit-cost analysis of, 237
ED. See Emergency department
Education, 350
Effectiveness, 164, 269
Efficiency, 36, 139, 164, 309, 317
El Conejo Family Clinic practice case, 329, 331–338
Elderly, spending patterns of, 1, 3–4
Emergency department (ED), 133–135
Employees: feedback to, 198; impact on, 226; satisfaction and growth of, 324–325
Environment: operational budgeting and, 249–250; opportunities and threats, 173
Equal-cost programs, 238
Equipment: book value of, 106–108; replacement, 114
Equity: fixed assets financed by, 291; interest rate for, 219
Erie Hospital practice case, 228–230
ETOB (every tub on its own bottom), 193
Every tub on its own bottom. See ETOB
Excelsior Medical Center, 178
Expenses: accrued, 282; budget, 259–262; creep in, 267–268; in line-item format, 256–257; in operational budgeting, 256–262; in program format, 257–258, 275; variances, 311–313. See also Discretionary expense centers; Standard expense centers
Extrinsic rewards, 198

F
Facilitation, 350
Facility-sustaining activities, 142–143
Factor price per unit, 35
Factor prices, 35–36
Fairness: criterion, 162–173, 190–191; defined, 190; responsibility accounting structure and, 162–173, 190–191, 199–202, 206; transfer prices influencing, 199–202
Feedback, employee, 198
Field operations, 195–196
Final cost objects, 36–37
Financial accounting. See Accounting
Financial compensation. See Accounting
Financial risk, 289–290, 299
Financing activities, 295–296, 298–299
Financing cycle, 281, 283–285
Firearm injuries, 240
Fixed assets: depreciation and, 243n1; equity financing, 291; in financing cycle, 284; investing in, 296–297; profit and, 291; programming and, 212–213, 220–222; ROA for, 220–222; selling, 297
Fixed budgeting: expense centers and, 167–168; flexible budgeting contrasted with, 306–307
Fixed costs, 171; cost behavior and, 74–77, 80–83, 92; cost drivers, 7, 12–13, 36; in differential cost accounting, 101–102, 117; variable costs and, 92, 203

Index
Food chain, health care, 13–15, 18
Forecasts: cash budgeting, 293–294; WCC, 221–222
Formal authority, 204
For-profit organizations, tax effects for, 218
Free services, 69–70
Full product cost: in ABC, 132–139; overhead costs, 133–139; process system for, 132; unit costs in, 134, 139
Full-cost information: alternative choice decisions and, 54, 104; misleading, 101; uses of, 30–32, 54, 73, 99
Functional unit managers, 194–195
Fundamental profit equation, 79–81

G
GAAP. See Generally Accepted Accounting Principles
Game, rules of, 202
Game playing, budget, 268
General support, 34
Generally Accepted Accounting Principles (GAAP), 33
Goal congruence, 191–192, 199, 202, 206
Goals, in benefit-cost analysis, 236–237
Gotham Meals on Wheels practice case, 299–302
Governance, MPP, 357–359
Governing body, 343
Governmental organizations, benefit-cost analysis in, 235–243
Growth: debt and, 292–293; employee, 324–325; forecasts influenced by, 294; profit and, 291–293, 299
Guiding coalition, 349

H
Hard money, 256
Hard-core resisters, 350–352
Haskell Hospital Laundry, 314–315
Hawthorne Dental Clinic, 77–79
Health care: food chain, 13–15, 18; impending fiscal crisis of, 1–25; manufacturing costs’ applicability to, 131; market, complexity of, 2, 5–7; organization, characteristics of, 343–344; stage 2 challenge of, 126–129
Health maintenance organization (HMO), 11, 250–251
Hewlett-Packard, 197
Hierarchy: of information, 318–321; of needs, 198; of responsibility centers, 170
Hillside Hospital practice case, 352–364
HMO. See Health maintenance organization
Hospice care, 11–12
Hospitals: care in, 11, 26n7, 155–156, 163; community and teaching, 128–129; rehabilitation, 253–254; revenue cycle in, 285; spreadsheet model for operational budget of, 262–266; tertiary care, 11–12; unbundling and, 64–65. See also specific hospitals
Housekeeping costs, 37–46, 49, 56–57, 117, 156
The Human Equation (Pfeffer), 197
Human life, quantified value of, 239–243
Huntington Hospital practice case, 93–94
Hurdle rate, 221–222

I
IDS. See Integrated delivery system
Impact, difficulty vs., 351
Incentives, aligning, 191
Incidence rate, 10
Independent Practice Association, 11
Indirect costs, 36, 39–40, 46, 51, 77, 127, 130–131. See also Manufacturing overhead
Indirect labor and materials, 130–131
Indirect SCF, 295–296
Inflation, 102, 114, 216, 244n3
Informal authority, 203–205
Information: hierarchy of, 318–321; as resource, 181. See also Full-cost information
Inpatient care, cost of, 155–156, 163
Inputs: mix variances, 315–317; outputs related to, 326; rates paid for, 309; usage and efficiency of, 309
Insecticide spraying, 237
Insurance: approach, 241–242; pricing, 6–7, 52–53
Interest payable, 280
Interest rate, 219–220
Intermediate products, 13
Internal rate of return (IRR): capital investment and, 217–218; defined, 213; programming and, 211, 213, 217–218, 222–223
Intraorganizational transactions, 343
Intrinsic rewards, 198
Intuition, 104–105
Inventory: in operating cycle, 281–283; patients as, 139–140
Investing activities, 295–298. See also Capital investment
Investment centers: defined, 166–167; as responsibility centers, 166–167
Involvement, 350
IRR. See Internal rate of return

J
Jiao Tong Hospital practice case, 92, 94–96
Job order system: in ABC, 126–127, 132–133; in cost centers, 50, 126–127
Job-cost approach, 65
Judgment, managerial, 51, 53, 235, 243
Junior-staff physicians, 357

K
Kent Medical School, 353–354
Knowledge-based organizations, 205
Kotter, John, 204, 349–350

L
Labor: direct, 129–131, 134–135; efficiency variances, 317; indirect, 130–131; mission, 34; resource use and, 33–34; support, 34
Lakeside Hospital, 126
Land, resource use and, 33–34
Laundry, 167, 314–315
“Leading Change” (Kotter), 349
Least squares, 77
Leonard, Dorothy, 197
Leverage: advantages and disadvantages, 289; cash budgeting and, 286, 288–290, 299; defined, 286; financial risk vs. business risk and, 289–290, 299
Liabilities: on balance sheet, 280–281; interest rate for, 219–220
Life. See Human life
Lighthouses, 69, 72n12
Lincoln Dietary Department practice case, 151–154
Linear regression, 77
Line-item format, 256–257
Littleton Home Health Agency, 81–84
Lives-saved-per-dollar approach, 242–243
Locusts, 237
Long-lived capital, 34–35
Long-lived mission capital, 34
Long-lived support capital, 34
Long-term debt, 291
Los Reyes Hospital practice case, 269, 271–273
Loss leader, 30

M
Magnetic Resonance Company (MRC), 109–110
Management control process: BSC and, 181; budgeting in, 177–179, 246, 344, 348; cycle, 175; formal activities, 175–183; measuring in, 179–181, 348–349; operating and,
179–181; programming in, 175–177, 211, 343, 348; reporting in, 181–183, 348–349; in responsibility accounting, 161, 174–183, 345–349; system, 161
Management process, patient, 346–347
Managerial context, for operational budgeting, 248–254
Managers: behavior of, 58–59; budgeting and, 343; case, 285; department, 178; functional unit managers, 194–195; judgment of, 51, 53, 235; middle, 227, 324; programming and, 178, 194–195, 343; variances used by, 316–317. See also Line managers; Senior management
Manipulation, 350
Manufacturing companies, 248, 282
Manufacturing costs: ABC and, 129–132; direct, 129–131; health care applicability, 131; indirect, 130–131
Manufacturing overhead (MOH): ABC and, 130–132, 134–136, 139–141, 151; allocation bases for, 135
Margin: estimated, 62–63; unit contribution, 81–82, 87, 92
Market-based pricing, 66–67
Maslow, Abraham, 198
Master budget, 260–262
Materials: direct, 129–131; indirect, 130–131; raw, price variances in, 317
Matrix organizations: complex, 195–197; operational budgeting and, 247, 252; reporting in, 321–322; responsibility accounting structure and, 194–197, 343
McClelland, David, 198
Mechanical aspects: of budgeting, 248–249, 252–254; of reporting, 254
Medicaid, 67, 241
Medical home, 195, 209n2
Medicare, 26n9, 285; Affordable Care Act and, 15–16; congestive heart failure and, 16–17; defined, 26n1; factors influencing, 1–13; full-cost accounting and, 30, 32, 37, 52
Membership, MPP, 357–359
Middle managers, 227, 324
Mission capital, 34–35
Mission facilities, 33
Mission labor, 34
Mix factor, 167
Mix variances, 315–317
Mixed costs. See Semivariable costs
Models, in operational budgeting, 262–266
MOH. See Manufacturing overhead
Money: hard and soft, 256; time value of, 214, 230
Morbidity patterns, of nonelderly population, 2, 5
Mossy Bog Laboratories practice case, 53, 55
Motivation: operational budgeting and, 252, 276; overarching themes, 198–199; process, 197, 252, 345–348; programming and, 276; in responsibility accounting system, 197–199, 206, 345–348
MPP. See Medical Practice Plan
MRC. See Magnetic Resonance Company
Multiple regression, 97n1
Multiple second-stage cost drivers, 12, 142–146
Multiple second-stage overhead rates, 142–146
N
Narcolm practice case, 120, 122–123
Negative variance, 309, 311, 314, 317–318, 323–324
Negotiation, in budgeting, 178–179, 267–268
Net accounts receivable, 302n2
Net present value: capital investment and, 214–217, 227; defined, 213; programming and, 211, 213–217, 222, 227
New program bias, 177, 226–227
Newport Medical Associates, 172–173, 190
Newton General Hospital (NGH), 106–107
Nido Escondido Hospital, 214–216, 218
Nonfinancial measures, 181, 192; BSC, 328; budget formulation and, 275–276; categories of, 324–325; defined, 254, 328; nonfinancial reporting and, 324–330; in operational
budgeting, 250, 254, 258, 275–276; output, 59, 325; in responsibility accounting system, 349; social indicators, 325
Nonfinancial objectives, 324–326, 330
Nonfinancial reporting: criteria, 326–328; nonfinancial measures and, 324–330; in responsibility accounting system, 349; spidergram for, 328–330
Nonprofit organizations, pricing in: client behavior and, 58–59; cost-plus pricing, 66; free services, 69–70; managers’ behavior and, 58–59; market-based pricing, 66–67; measure of output and, 59; normal pricing and, 60–63; subsidized pricing, 67–68, 71; summarized, 70–71
Nonquantitative considerations: in alternative choice decisions, 115; defined, 223; in differential cost accounting, 115–116, 120–121; in outsourcing, 115–116, 120; in programming, 223–227; strategy, 224–226
Normal pricing, 60–63
Note payable, 280–281

O
Oak Street Nursing Home practice case, 329, 331
Obesity, 8
Objectives: in benefit-cost analysis, 238; nonfinancial, 324–326, 330
Office of Management and Budget, 32–33
Operating: activities, 295–296; changes, 181–182; cycle, 281–283, 302n2; management control and, 179–181
Operational budgeting: budget formulation in, 252–254, 258–267, 269, 274–276; budgeting context of, 250–252; components, 254–258; constraints, 258–259; cost structure and, 250–251; culture and, 250, 270; defined, 245; for DRGs, 248, 261–266, 272–274, 277n4; effective, 269; environment and, 249–250; expenses in, 256–262; general nature of, 246–248; guidelines, 258–259; important features of, 266–267; Los Reyes Hospital practice case, 248; master budget in, 260–262; matrix organizations and, 247, 252; misfits, 269, 273–277; models used in, 262–266; motivation and, 252, 276; nonfinancial measures in, 250, 254, 258, 275–276; organizational context of, 249–250, 267–269; organizational structure and, 251–252, 275; overview of, 245–246; professionals’ attitudes toward, 268–269; programming and, 246–247, 276; revenues in, 254–256, 259; senior management and, 258, 266–267; serious commitments to, 267; steps of, 258–267; strategic success factors and, 251, 274–275; strategy and, 250; surplus in, 255, 277n2; timetable, 266
Opportunities, environmental, 173
Opportunity cost: defined, 238
Organizational context, of operational budgeting, 249–250, 267–269
Organizational norms, 268
Organizational settings, sunk costs in, 105–108
Organizational structure, operational budgeting and, 251–252, 275
Outpatient visits, 32
Output: input related to, 326; measures, 59, 325; mix variances, 315–317
Overdale, 176–177
Overhead costs: attached, 138; in full product cost, 133–139; pools of, 142–145, 151. See also Allocated overhead; Indirect costs; Manufacturing overhead
Overhead rate: ABC and, 133–139, 141–145; basis, 135; computation, 135–136; full product cost and, 133–139; multiple second-stage, 142–146; predetermined, 136–139
Overhead variances, 138–139
Owen Hospital practice case, 151, 154–159

P
Participation, 350
Pathology, 142, 155–156
Patient service departments, 262
Patients: chief-service, 356–357; as inventory, 139–140; management process for, 346–347; needs of, 36–37; satisfaction of, 324–325
Payback period: capital investment and, 213–214; defined, 213; programming and, 211, 213–214, 222
PCPs. See Primary care providers
Performance: budget, 307; evaluation, 252; of line managers, 169–170, 245, 247, 252; rewards, 191–192, 197–198; unit, 324
Peripheral services, 70
Pfeffer, Jeffrey, 197
Photocopying facility, 200–201
Physician impact, evaluation of, 224–225
Physician’s office visits, 32
Planning, strategic, 161, 173–174
Pleasant Street Home Health Agency, 251
Porter, Michael, 14–15
Power motives, 198
Predetermined overhead rate, 136–139
Present value: calculators or spreadsheets for,
215, 217–218, 232; concept of, 230–235;
programming and, 214–215, 217–218; tables,
232–234. See also Net present value
Prevention, 324–325
Price takers, 30
Pricing: all-inclusive, 64–65; bundled, 6, 15–16,
53, 71n4; complications, 52–53; customer;
51–53; decisions, 30; factor, 35–36;
insurance, 6–7, 52–53; normal, 60–63;
outside forces influencing, 63; unbundling,
63–65; unit, 63–65; variances, 317. See also
Nonprofit organizations, pricing in; Transfer price
Primary care providers (PCPs), 11
Procedural justice, 198
Process criteria, for responsibility accounting
system, 342
Process system: in ABC, 126, 132; in cost
centers, 50, 126
Product: CVP for, 85–92; defined, 71n1;
diversity, 141; mix, 86–87; multiple, 85–92.
See also Full product cost
Product lines: changes in, 294; keeping or
dropping, 111–113
Product-sustaining activities, 142
Professional labor. See Mission labor
Professionals, attitudes of, 268–269
Profit: cash budgeting and, 290–293, 299;
considerations, 82; equation, 79–81; fixed
assets and, 291; of Gotham Meals on
Wheels, 300–301; growth and, 291–293, 299.
See also Cost-volume-profit analysis
Profit centers, 59, 71n7; Bureau of Motor
Equipment and, 185–187; defined, 166–167;
design, 190–193; expense budgets for,
259–260; independent, 192–193;
responsibility accounting structure and,
189–193, 207–208; as responsibility center,
166–167, 169, 185–187; school as, 171
Profitability assessments, 30
Profitable departments, 193
Program format, 257–258, 275
Programming: assets and, 211–215; benefit-
cost analysis of, 235–239, 243; budgeting
and, 246–247, 279; capital budget techniques
and, 212–218; cash budgeting and, 279;
conflict management and, 212, 226–227;
culture influenced by, 212, 226–227;
discord rate and, 211, 215, 218–223, 244n3;
equal-cost, 238; Erie Hospital practice case,
228–230; fixed assets and, 212–213,
220–222; in governmental organizations,
235–243; inflation and, 216, 244n3; IRR and,
211, 213, 217–218, 222–223; line managers
and, 223, 227; in management control
process, 175–177, 211, 343, 348; managers,
178, 194–195; managers and, 178, 194–195,
343; motivation and, 276; net present value
and, 211, 213–217, 222, 227; new, bias
toward, 177, 226–227; nonquantitative
considerations in, 223–227; operational
budgeting and, 246–247, 276; overview of,
211–212; payback period and, 211, 213–214,
222; present value and, 214–215, 217–218;
qualitative evaluation of, 224–226; revisions,
182–183; senior management and, 212, 223,
226–227; strategy linked to, 224–226;
teensage substance abuse, 247
Projected cash flows, 216, 222
Promoters, 256
Purchasing: assets, 211, 286–288, 296–298;
value-based, 14

Q
Qualitative evaluation, 224–226
Quality of care, 324–325
Quasi-public goods, 69–70
Quickly Surgicenter, 85–86, 90–91

R
Radioactive waste, 242
Radiology, 126–127, 143, 155–156
Rate variance, 309–312
Ratio of costs to charges (RCC): ABC and,
127–129, 151; DRGs and, 128, 151
Raw material price variances, 317
RCC. See Ratio of costs to charges
Reciprocal method, 47–48, 56–57
Rehabilitation hospital, 253–254
Relevance, of reporting, 321–324
Renal dialysis, 126, 149–151
Rent, 34, 74, 103
Reporting: accuracy, 321–324; behavioral factors in, 324; BSC and, 328; budget revisions and, 182; budgeting misfit with, 276–277; control and responsibility aligned in, 306, 326; corrective action and, 324; cost structure and, 274; details, 319; effective, 269; El Conejo Family Clinic practice case, 329, 331–338; hierarchy of information in, 318–321; in IDS, 319–321; influence of, 345; key characteristics of, 344; in management control, 181–183, 348–349; in matrix organizations, 321–322; mechanical aspect of, 254; Oak Street Nursing Home practice case, 329, 331; operation changes and, 181–182; overview of, 305–306, 318; phase, 248–249, 318; program revisions and, 182–183; relevance, 321–324; senior management, 180, 324; spidergram for, 328–330; timeliness, 318; variance analysis and, 323. See also Nonfinancial reporting
Required rate of return. See Discount rate
Research, 32
Researchers, 205
Resistance, to change, 349–352
Resource unit, cost per, 7, 11–12
Resource use: capital and, 33–35; conceptual framework, 33–34
Resources per case, 7–11, 26n9
Responsibility: control aligned with, 172, 306, 326, 343; variance analysis and, 316
Return on assets (ROA): for fixed assets, 220–222; responsibility accounting and, 169–172, 206. See also Weighted ROA
Revenue: anticipated grant, 255–256; budgets, 259; centers, as responsibility centers, 166; cycle, 285, 303n4; discretionary, 255; offsets, 62; in operational budgeting, 254–256, 259; per unit of activity, 308; variances, 312
Revenue-first policy: discipline required for, 255; exceptions to, 255–256
Risk: business, 289–290, 299; defined, 222, 289; discount rate and, 222–223; financial, 289–290, 299; outsourcing, 116, 120–121
ROA. See Return on assets
Rules, of game, 202

S
Satisfaction, 324–325
Scatter diagram method, 76
SCF. See Statement of cash flows
Schlesinger, Leonard, 350
Schools, as profit centers, 171
Second-stage cost drivers, multiple, 12, 142–146
Self-actualization, 198
Selling price variances, 317
Semivariable costs: cost behavior and, 74–75, 77, 82–83; CVP analysis and, 82–83; in differential cost accounting, 117
Senior management: cross-subsidization and, 193; defined, 162; financing cycle and, 284; guiding coalition of, 349; meetings with, 344; operational budgeting and, 258, 266–267; programming and, 212, 223, 226–227; reporting for, 180, 324; in responsibility accounting, 162, 164–166, 169–172, 177, 179–181, 189, 193, 203–204; role of, in responsibility accounting structure, 169–170; variance analysis and, 316–317
Sensitivity analysis, 103
Service centers. See Support center costs
Short-lived mission capital, 34–35
Short-lived support capital, 34–35
Short-run revenue fluctuations, 256
Short-term wins, in change efforts, 350–351
Shouldice Hospital, 132
Simon, Herbert, 204
Single-cost-center approach, 51–52
Snowplowing, 115
Social indicators, 325
Social psychology, 174
Social service department, 118, 260
Societal willingness approach, 241
Soft money, 256
Spain, 3–4
Speed limit, 243
Spencer Rehabilitation Hospital (SRH), 321–324
Spidergram, 328–330

Spreadsheets: for budget formulation, 252–253; for operational budgeting models, 262–266; present value function of, 215, 217–218, 232
SRH. See Spencer Rehabilitation Hospital
Stage 1, of cost accounting, 125
Stage 2, of cost accounting, 125–129
Standard expense centers: defined, 166; expense budgets for, 259–260; as responsibility centers, 166–168, 183
Standby capacity, 203
Statement of cash flows (SCF): cash budgeting and, 295–299; defined, 295; direct, 295–296; financing activities in, 295–296, 298–299; indirect, 295–296; investing activities in, 295–298; operating activities in, 295–296
Statistical methods, 77, 97n1
Steady-state operations, 111, 114
Stepdown method: allocated overhead and, 118, 120; in full-cost accounting, 47–50
Step-function costs: cost behavior and, 74–75, 77, 82–83; CVP analysis and, 82–83; in differential cost accounting, 117
Strategic markups, 128
Strategic perspective: depreciation and, 108, 114–115; in differential cost accounting, 108–115; growing importance of, 114–115; outsourcing and, 108–111, 114; on product lines, keeping or dropping, 111–113; sporadic use of, 114; steady-state operations and, 111
Strategic planning, 161, 173–174
Strategic success factors, 251, 274–275
Strategy: formulation, 345–346; nonquantitative considerations, 224–226; operational budgeting and, 250; programming linked to, 224–226
Strengths, 173
Structural criteria, for responsibility accounting system, 341–342
Structure, 165. See also Responsibility accounting structure
Subcapitation, 6
Subsidized pricing, 67–68, 71
Sunshine Laboratories, 111–112
Superstorm Sandy, 182
Support: capital, 34–35; direct, 34; facilities, 33; general, 34; labor, 34; resistance and, 350
Surplus: considerations, 82; in operational budgeting, 255, 277n2. See also Profit
Swap, Walter, 197
SWOT analysis, 173
System, 165. See also Responsibility accounting system

T
Tanglewood Dentistry, 307–308
Task control, 173–174
Tax effects, capital budgeting techniques and, 218
Teaching hospitals, community hospitals compared with, 128–129
Team-based approach, 205, 209n2
Teenage substance abuse program, 247
Teisberg, Elizabeth, 15
Terminology, confusing, 46, 132
Tertiary care hospitals, 11–12
Threats, environmental, 173
3M, 197
Time value, of money, 214, 230
Timeliness, of reporting, 318
Transfer price, 93, 131, 152; arrangements, 192; autonomy vs. central control and, 202; clinical care departments and, 199; considerations, 201–203; consistency, 202; defined, 71, 160n1, 190; determining, 189–190, 201–203; fairness influenced by, 199–202; goal congruence influenced by, 199; problems, 199–201; responsibility accounting structure and, 189–192, 199–203, 343; between responsibility centers, 343; rules of game and, 202; standby capacity and, 203; two-part, 203
Two-part transfer price, 203

U
Unallowable costs, 66
Unbundling, 63–65
Unit contribution margin, 81–82, 87, 92
Unit costs: in full product cost, 134, 139; relevance of, 321; variances, 139
Unit performance, 324
Unit-level activities, 142
Units of activity, mix of, 308
Units of measure, 34–35
U.S. Department of Transportation. See Department of Transportation, U.S.

V
Valley Children’s Medical Center (VCMC) practice case, 19–25
Valley Hospital practice case, 205, 207–209
Value chain, 14–15, 18
Value-based purchasing, 14
Variable costs, 74–77, 80, 171; controllable, 274; cost behavior and, 74–77, 80–82, 92; in differential cost accounting, 101–102, 117; eliminated, 108; fixed costs and, 92, 203
VCMC. See Valley Children’s Medical Center
Vendors, outsourcing, 115–116
Visiting nurse association (VNA), 176–177
Volume: assumptions, 102; breakeven, 80, 87; budget revisions and, 182; case mix and, 7–8, 36; cost behavior and, 75, 78; diversity, 141; estimated, 62–63; flexible budgeting and, 306–307; variance, 139, 308, 314, 317. See also Cost-volume-profit analysis

W
Wage rate variances, 317
Wages, 34, 216, 282
Walmart, 283
Washington Monument Elevator Ploy, 179
WCC. See Weighted cost of capital
Weaknesses, 173
Weighted cost of capital (WCC): defined, 219; discount rate and, 219–222; in Erie Hospital practice case, 229; forecasted, 221–222
Weighted ROA: defined, 219; discount rate and, 219–221
*When Sparks Fly* (Leonard and Swap), 197

Withhold, 11
Woodruff Medical Center, 177
Wrongful deaths, 240

Y
Year-to-date information, 321