Book Reviews

Michael K. Shaub, Editor

Editor’s Note: Books for review should be sent to Michael K. Shaub, Texas A&M University, Department of Accounting, 485H Wehner Building, 4353 TAMU, College Station, TX 77843–4353.

The policy of Issues in Accounting Education is to publish only those reviews solicited by the Book Reviews Editor. Unsolicited reviews will not be accepted.


Cost Accounting: A Managerial Emphasis, Thirteenth Edition, is the most recent edition of Horngren’s well-known cost accounting text. With the new edition, two new authors were added, one from Wharton and another from Stanford. Interestingly, this edition focuses more on strategy and decision making and emphasizes the use of different costs for different decision-making needs. The first chapter introduces a general framework for decision making that is used in later chapters. Conversely, the presentation of this edition is more simplified than the previous edition.

The content of the text is comprehensive, covering a wide range of cost-related topics in 23 chapters. Clearly, this is more information than can fit in a one-semester course. Each chapter includes discussion of real companies and their cost accounting issues, which helps students see the real world implications of cost accounting. The text is logically organized and generally well written.

A strength of this text is how comprehensive it is, which allows the professor to choose the chapters that most fit the course being designed. The first four chapters cover the basics of cost terminology, cost behavior, cost-volume-profit analysis, and job costing, which are a good base to start a cost accounting course. For a one-semester course in cost accounting, instructors will want to choose an additional seven or eight chapters. The entire book could be covered in a two-semester cost accounting course sequence, of course.

The end-of-chapter materials are another strength of this text. In each chapter, the exercises and problems cover a variety of situations and methods, giving the instructor numerous choices and allowing students access to plenty of practice problems. A large portion of these are updated from the previous edition. The problems range from straightforward problem solving that reinforces specific cost accounting methods, to much more complex and lengthy problems that integrate several concepts and require analysis and more advanced problem solving. This allows the instructor to assign problems that range from short and simple to long and complex. This flexibility is a nice option.
A weakness of this text is that since it is so comprehensive, it may be too massive for some cost accounting courses. For schools with only one cost accounting course, some instructors, and perhaps students, will balk at using a book with content that cannot possibly be covered in less than two semesters. Others, however, may appreciate the flexibility of having choices among such a wide range of relevant topics. The chapters do lend themselves to creativity in coverage order. This flexibility for choosing which chapters to include and the order of coverage is a definite plus.

This text is appropriate for a one-semester cost accounting course, usually offered after the completion of an introductory managerial course. Such a course will not use the entire text, of course. This book could also easily fit a two-semester cost course sequence.

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Cornerstones of Cost Accounting presents a focused approach to the study of cost and managerial accounting by two authors with extensive textbook experience. This text is suitable for undergraduate cost accounting courses and undergraduate managerial accounting courses for which the prerequisite is completion of the undergraduate principles or introductory accounting course. The text is also suitable for an M.B.A. course in managerial accounting for which the prerequisite is completion of the undergraduate principles or introductory accounting course.

The text introduces topics in a logical sequence and the breadth of coverage is consistent with what one would expect in a cost accounting text. Additionally, the text covers many managerial topics listed among those tested on the BEC section of the uniform CPA examination.

The “Cornerstone” approach is a substantial strength of this text. In the Cornerstone approach, the authors link examples in the text to specific exercises in the end-of-chapter materials. For the most part, the Cornerstone examples are clearly developed and explained and thoroughly discuss the selected issue. Each Cornerstone example concludes with a “what-if” scenario which serves to encourage students to extend their understanding beyond the mere repetition of memorized techniques. Additionally, some Cornerstone examples require the student to infer how a number was computed.

Activity-based costing is introduced early in the text and is subsequently discussed in association with a number of allocation, budgeting, and forecasting issues. The authors provide a good introduction to strategic cost management, and consistently discuss behavioral implications of accounting choices. Additionally, the authors discuss managerial implications of cost allocation in a number of different contexts. These discussions should help accounting/finance students begin to understand the importance of communication between accountants and operational or executive management. The discussions also illustrate that accounting and finance professionals are more than just “number-crunchers” and that accounting/finance students must prepare themselves to be integral members of management teams. The authors also include many “real world” examples in the text which can serve to effectively motivate classroom discussion of the topics involved.

Cornerstones of Cost Accounting is particularly appropriate for an undergraduate program with one undergraduate cost/managerial accounting course that students complete after the principles or introductory accounting courses. Instructors at institutions in which the students can
complete both a cost and a managerial accounting course after completion of the principles or introductory accounting course may prefer texts that are more narrowly focused on cost accounting or managerial accounting. It would also likely be insufficient for use in an intermediate or advanced cost/managerial course.

The exercises and problems at the ends of chapters are adequate for the topics and issues discussed; however, the instructor who wishes to emphasize group work or the development of communications skills may need to provide supplemental materials or assignments. Additionally, students who have completed introductory accounting courses that de-emphasize general ledger accounting may need a review of basic debit/credit accounting.

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WILLIAM N. LANEN, SHANNON W. ANDERSON, and MICHAEL W. MAHER,

This textbook is an appropriate resource for an undergraduate cost accounting course, especially one structured in a way that focuses on the use of accounting information for managerial decision making. The text presents fundamental concepts in a conversational writing style. It engages readers with chapter-opening vignettes that provide vivid organizational context for learning through comprehension, then chapter-ending Debriefs link topics from the chapter to the decision problem described in the opening vignette.

For instructors who are dissatisfied with their current text, the topical flow of chapters offers a coherent progression that helps students grasp the integration of concepts. It begins with an overview of cost accounting in the context of decision making throughout the value chain; emphasizes cost behavior concepts and analyses; catalogs product and service costing systems and techniques; introduces management control systems with budgeting, responsibility accounting, and variance analysis; and ends with an overview of multivariate performance measurement and the balanced scorecard. Appendices provide coverage of special topics required by some instructors but shunned by others, including a succinct overview of discounted cash flow analysis for making capital investment decisions, the IMA Code of Ethics, learning curves for cost estimation, spreadsheet applications of the reciprocal allocation method for decision-making support, and recording transactions for a standard costing system, among others.

Each chapter presents its concepts and techniques in a concise, readable manner along with easy-to-understand illustrations, problems, and cases based on actual business situations. For students, the Online Learning Center (OLC) provides such study-package resources as self-grading quizzes, MP3 audio and video content, puzzles, links to text references and other professional resources, chapter overviews and learning objectives, and PowerPoint presentations. As an example of how OLC resources are integrated with the coverage of topics in the text, when chapters illustrate Excel spreadsheet applications in exhibits, the OLC provides similarly formatted spreadsheet templates for related end-of-chapter problems.

In addition, a significant amount of additional instructor resources developed by various experienced university faculty are available, including the instructor resource manual, solutions manual, and test bank. The test bank structure promotes assurance of learning analysis. Each question maps to a specific learning objective, and selected questions connect to the six general
knowledge and skill guidelines in the AACSB standards. In a significant change of course management support for this third edition, McGraw-Hill has discontinued use of Homework Manager and replaced it with Connect™ Accounting. The new course management system provides a more flexible user interface for both instructor and student and, similar to its predecessor, enables the creation of assignments and tests with algorithmically unique versions of most problems.

The end-of-chapter material has increased by over 10 percent from the second edition and more than half of the retained material has been revised. Especially notable are new Integrative Cases, which require students to apply both new and previously learned principles and techniques to a realistically described situation. Other changes from the previous edition include new discussions of lean accounting and productivity and new examples from contemporary practice that illustrate how to connect theory to application.

Overall, the textbook is well suited for a junior-level Cost Accounting course or a decision-focused equivalent. Content organization provides a logical, comprehensive progression of topics presented in an accessible style from both a user and a preparer perspective. End-of-chapter resources are designed in a manner consistent with related in-chapter discussion and progress from simplistically basic to integratively complex. Study support and course management support materials are consistent with the textbook presentation and easy to use by both students and instructors.

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*Managerial Accounting*, Thirteenth Edition, continues to provide very reliable and thorough explanations of the topics covered in the traditional introductory managerial accounting course. The competitive advantage of this text lies in its exposition. The materials are presented clearly and concisely and in a format that can be well understood by both accounting and nonaccounting students.

This text does not differ fundamentally from its competitors in terms of topical coverage. However, in this edition of the text, the chapter on flexible budgets has been revised and significantly improved. The chapter now places more emphasis on the role of flexible budgets in performance reporting. As a result, the details of overhead analysis have been moved completely to the standard costing chapters and to a separate appendix. Fixed overhead is typically one of the most difficult topics for sophomores to fully comprehend. Consequently, this change will allow students to more easily understand the issue of performance reporting by focusing on revenue and spending variances without being overwhelmed by the effects of fixed overhead.

The end-of-chapter materials provide complete coverage of the topics covered in each chapter. Each problem or exercise is explicitly linked to one or more learning objectives. Icons placed throughout the text and end-of-chapter materials provide direction to instructors who wish to select assignments to meet specific objectives (service versus manufacturing examples, ethics, writing, etc.). However, the IFRS icons intended as a tool to highlight international content do not add a great deal of value. The end-of-chapter materials also include a research and application case that requires students to use the 10-K data of a specified company to answer low level strategy questions. These exercises follow the framework recommended by Bamber and Bamber (2006),
“Using 10-K Reports Brings Management Accounting to Life.” However, while Bamber and Bamber (2006) recommend analyzing 10-K data for one company to create a continuous case, this text uses a different company for each case.

The text has two features that enhance the quality of the text for students. Both the “in business boxes” and the “action vignettes” enhance the quality of the students’ educational experience by providing them with insight into how managerial accounting tools and concepts are used in real life settings. The “in business boxes” are distributed throughout the chapters and describe how a particular company used a managerial accounting tool or concept to solve a problem. Many of the excerpts were abstracted from published articles. The “action vignettes” appear as mini-skits in which a company is experiencing a problem. Students are invited to continue acting out a cross-functional team meeting during which they discuss the solution to the problem. This feature provides an excellent opportunity to increase the level of classroom interaction in a manner that sophomore level students are able to enjoy.

In summary, this text presents the core managerial accounting topics in a product that is user-friendly for both the student and the instructor. In addition, this issue of the text emphasizes pedagogical tools that could be quite helpful to faculty members interested in improving instructional delivery and increasing student participation.

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