**Week 11 Folder – Variance Analysis continued**

Weekly Schedule

You made it! This is the last exam and the last week of the quarter. Excellent job for making it through!

This week is an exam week. Please pay close attention to the schedule. Remember all assignments are due by 10:00 pm.

1) Lecture

2) DB 11 **Due Wed**

3) Collaborate online session

4) Assign #20 **Due: Thur**

5) Assign #21 **Due: Sat**

**6) Exam 5 Due Sun**

General information about the exam and the actual exam will be posted in the current week’s folder on Friday at 6:00 a.m.

**Lecture / Reading:**

**Read Chapter 11 pages 186-200**

**AND Dennis Caplan http://denniscaplan.fatcow.com/Chapter24.htm**

In this section the focus will shift back out to the big picture and current trends in manufacturing. When a company is first formed it’s small and all the functions are generally centralized at the top of the company (owner.) As the company grows it becomes difficult for this top management to make all the decisions. The process of decentralization involves allowing lower level manager to make decision about their area based on quality data.

In the discussion board and Elluminate we will discuss the advantages and disadvantages of this trend. The key to remember is that most companies fall in between the two extremes and decentralization requires more accounting detail.

In order to allow department, facility, area, management to make decision the must have information on their specific area - referred to as segments. If management's segments only can control cost (Cost Center) they are provided cost data. With this data they are expected to minimize cost and serve the company needs. In areas where the manager can control cost and revenues (Profit Center) the overall segment financial position is provided to make decisions. The last area (Investment Centers) is the segment that can control cost, revenues, and investments of operating assets. My favorite example is Disneyland! The cost center would be the cleanup crew - they can’t produce revenue but they need to keep the park clean in the cheapest most efficient manner possible. A Profit Center could be the Aviator restaurant - the manager is responsible for the DM, DL, Overhead, and the Revenue of the restaurant. The Investment Center may be the Disneyland park as the manager of this segment would be able to make all the decisions for the California location.

In order to provide reports for Disneyland each centers cost reports should only include those the can control. Any easy way to look at this is to ask if they cost would go away if the segment did. If not the cost is not traceable to the segment. A word of caution here: the traceable cost depend on the segments point of view and the way the company chose to cut the pieces. It all comes back to what each individual manager can control.

Now that we have looked at the larger view of segment reporting - How do we know if we actually are measuring the success of the Investment Centers? The calculation most commonly used is referred to as ROI or return on investment. The formula itself is simple but I have seen arguments / differences in the interpretation of the numerator and denominator. The higher the number the greater the profit.

Net Operating Income

Average Operating Assets

The Balance scorecard is a way to measure the overall companies health. Managers often get stuck in the details and forget to think about how all the parts interrelate and affect each other. Companies often look at the health of the company in four areas: Financial, Customers, Internal Business Process, and Learning and Growth. In a perfect world the business would have set measures for all four areas but some are harder to quantify than others.

**Homework and Discussion Forum**

1) Discussion Board:  **DB 11 Wed**

You must have a MINIMUM of three posts. I expect a mix of original and response post.

*Topic:* Discuss the big picture! All of the topics in this unit relate to checking the companies health. Pick a company and find an example of one topic out of the chapter. Or discuss the terms, concepts, etc.

3) **Assign #20**

4) Assign #21

**Exam 5 Facts:**

Exam 5 Description

This exam will continue questions from Chapters 10 & 11

Exam Facts:

The exam is a two part exam. Due Sunday by 10PM Don’t wait until the last minute to take the exam.

Part I: CengageNow

35 Multiple Choice

75 minutes

Part II: Angel

Need lockdown browser

SHOW ALL CALCUATIONS

4 Problems

90 minutes

**Exam 5: Please see the assessments for sample questions.**

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