Management Control Systems

Robert N. Anthony
Ross Graham Walker Professor Emeritus
of Management Control

John Dearden
Herman C. Krannert Professor
of Business Administration

both of the
Graduate School of Business Administration
Harvard University

Norton M. Bedford
Arthur Young Professor
of Accounting
University of Illinois

Fifth Edition

IRWIN

Homewood, Illinois 60430
Contents

PART ONE  An Overview

1. The Nature of Management Control  4
   Case 1–1. Stewart Box Company  29

2. Control and Organizational Behavior  37
   Case 2–1. Rendell Company  65
   Case 2–2. Tanner Corporation  76
   Case 2–3. International Telephone and Telegraph Company  82

3. Goals and Strategies: A Management Control View  93
   Case 3–1. General Motors Corporation  116
   Case 3–2. General Electric Company (A)  123

4. Information  147
   Case 4–1. Empire Glass Company (A)  161
   Case 4–2. National Tractor and Equipment Company  172
   Case 4–3. Pierce-Irwin Corporation  183

PART TWO  The Management Control Structure

5. Responsibility Centers: Revenue and Expense Centers  194
   Case 5–1. New Jersey Insurance Company  211
   Case 5–2. Moulding Motors, Inc.  220
   Case 5–3. Westport Electric Corporation  225

6. Profit Centers  232
   Case 6–1. Bultman Automobiles, Inc.  248
   Case 6–2. Vereinigte Deutsche Wagen, A.G. (A)  254

7. Transfer Pricing  268
   Case 7–1. Birch Paper Company  289
   Case 7–2. Strider Chemical Company  291
   Case 7–3. Zemblan Electronics Corporation  294
Case 7–4. Medoc Company  299  
Case 7–5. General Appliance Corporation  302  
Case 7–6. Warren Corporation  314  
Case 7–7. Universal National Company  317  
Case 7–8. Quality Metal Service Center (A)  323  
Case 7–9. Ballwin Oil Corporation  332  

8.  Investment Centers  342  
    Case 8–1. Investment Center Problems  364  
    Case 8–2. Marden Company  367  
    Case 8–3. Diversified Products Corporation  368  
    Case 8–4. Cheetah Division  375  
    Case 8–5. Lemfert Company  378  
    Case 8–6. Schoppert Company  379  
    Case 8–7. Quality Metal Service Center (B)  383  

PART THREE The Management Control Process  

9.  Programming  394  
    Case 9–1. The Quaker Oats Company  418  
    Case 9–2. Copley Manufacturing Company  426  
    Case 9–3. Geebold Company (A)  436  

10. Budget Preparation  443  
    Case 10–1. National Motors, Inc.  459  
    Case 10–2. Midwest Ice Cream Company (A)  470  
    Case 10–3. Geebold Company (B)  477  

11. Analyzing and Reporting Financial Performance  485  
    Case 11–1. Temple Division  501  
    Case 11–2. Crocker Company  504  
    Case 11–3. Wellington Corporation  505  
    Case 11–4. Cotter Company, Inc.  507  
    Case 11–5 (A). North American Can Company (A)  508  
    Case 11–5 (B). North American Can Company (B)  509  
    Case 11–5 (C). North American Can Company (C)  510  
    Case 11–6. Bondsville Manufacturing Company  511  
    Case 11–7. Modo Company  517  
    Case 11–8. Midwest Ice Cream Company (B)  519  

12. The Profit Budget in the Control Process  526  
    Case 12–1. Del Norte Paper Company (B)  539  
    Case 12–2. Galvor Company  554  
    Case 12–3. Binswanger & Steele, Inc.  568  
    Case 12–4. Performance Rating for Divisional Control  577  

13. Executive Incentive Compensation Plans  585  
    Case 13–1. Pullen Lumber Company  598  
    Case 13–2. R. J. Walters Company (A)  604
Case 13–3. R. J. Walters Company (B) 621  
Case 13–4. Empire Glass Company (B) 630

**PART FOUR**  **Special Management Control Situations**

14. Multinational Companies 634  
Case 14–1. Macomber Corporation 653  
Case 14–2. Longwood Manufacturing, Inc. 656  
Case 14–3. Universal Data Corporation 659  
Case 14–4. Bulova Watch Company, Inc. 664  
Case 14–5. SKA, Ltd. (A) 674

15. Service Organizations 681  
Case 15–2. Chemical Bank 706  
Case 15–3. Emerson & Hamlin 724  
Case 15–4. Acton Life Insurance Company 727

16. Nonprofit Organizations 745  
Case 16–1. Metropolitan Museum of Art 765  
Case 16–2. Boston Symphony Orchestra, Inc. 776  
Case 16–3. U.S. Naval Supply Center 782

17. Management Control of Projects 794  
Case 17–1. Northeast Research Laboratory (B) 817  
Case 17–2. Construction Associates, Incorporated 831  
Case 17–3. Star Industrial Contractors, Inc. 834  
Case 17–4. Sonic Aircraft Corporation 841

**Author Index** 843

**Subject Index** 847