Your Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Rank each case (1, 2, 3, 4, or 5)

* Ranking \_\_\_\_\_\_\_\_\_\_ Charley’s Family Steak House
* Ranking \_\_\_\_\_\_\_\_\_\_ Gibson Insurance Company
* Ranking \_\_\_\_\_\_\_\_\_\_ Breeden Security, Inc. (A), (B)
* Ranking \_\_\_\_\_\_\_\_\_\_ The Summer Program at Portsmouth Abbey
* Ranking \_\_\_\_\_\_\_\_\_\_ JW Sports Supplies (A), (B)

Charley’s Family Steak House UVA-C-2210, 2211

* Charley Turner, the owner of four Charley’s Family Steak Houses located in a rapidly growing cosmopolitan city in eastern Texas, is about to meet with Alex Pearson, the new manager of Charley’s Family Steak House No. 2, in mid-December 2007. The primary purpose of this meeting is to finalize the 2008 operating plan for the restaurant, and similar meetings are scheduled with the other restaurant managers. Turner has decided that, due to the growth of his business, he can no longer continue to manage the operation as he did when there were only one or two restaurants. Therefore, he is in the process of implementing a more formal and extensive planning and budgeting process.

Gibson Insurance Company UVA-C-2237

* Rebecca Hampton is the controller for Gibson Insurance Company. Gibson sells annuities and life insurance products through three different legal business unit entities: Gibson Insurance Company and two wholly owned subsidiaries (Compton Insurance Services and Midwest Mutual Insurance Company). Support services, such as sales offices, policy acquisition, customer service, and other functions are performed for all three entities by Gibson’s personnel at the corporate headquarters in Kansas City, Missouri. Gibson’s management team is interested in understanding how best to apportion corporate support costs to each of the product lines and business units. Hampton has chosen an activity-based costing approach for revising Gibson’s allocation of corporate support costs.

Breeden Security, Inc. (A), (B) UVA-C-2307, 2308

* (Part A) -- Breeden Electronics USA is a start-up division of a German company. It plans to produce two products; both are electronic signaling devices. Herman Klein, the division president, has asked his controller, Marlene Baer, to compute several breakeven sales figures as they assess the sales level that is necessary to meet the profit target established by the parent company. Baer must conduct several breakeven analyses and consider the impact on profit if production exceeds sales.
* (Part B) -- Marlene Baer, the controller of Breeden Security USA, recognizes that grouping all manufacturing overhead costs together and allocating them to Breeden’s two products is not very accurate. She groups overhead costs by activity and then allocates them to the two products. The system resembles a simple activity-based costing system. It introduces the definition of activities, costing those activities, and computing product cost based on their use of the activities. The revised product costs are considerably different, and analyzing what causes the differences is important to discovering where ABC can provide valuable information.

In addition, at the end of the year, profits have been reduced by the need to take care of a growing and increasingly complex packing and shipping activity. Baer defines a new activity (order handling), computes the cost per order, and begins to revise the data on product profitability and to develop data on customer profitability. Having discovered the high cost of handling each order, the controller now has good reason to work on activity-based management and the notion of customer profitability making that process more efficient and perhaps more customer friendly.

The Summer Program at Portsmouth Abbey UVA-C-2210, 2358

* In February 2014, Tim Seeley reflected on his recent conversation with the headmaster of Portsmouth Abbey School. Seeley had been running the school's summer program since 2012. The summer program had seen profits and enrollment improve for two years, but then drop unexpectedly in the summer of 2014, the cause of which was still unclear. Given its disappointing recent performance, the future of the program now seemed uncertain. Students are tasked with compiling a comprehensive budget for the school's summer program taking into consideration revenues from tuition income and the program's fixed and variable costs. Is the school asking enough in tuition for each of its different class of students (boarders, day students, and internationals) based on the services they use?

JW Sports Supplies (A), (B) UVA-C-2402, 2403, 2404

* James Jones and William West started a company to make what they considered the ideal gym bag, one that would incorporate the features they both desired and that would be of a sufficient quality to withstand a regular workout schedule for several years.  They each made a modest investment to start their new company, JW Sports Supplies, and began operating on the side while they continued their respective professional careers.
* In the A case, the owners attempt to better understand the impact that alternative decisions they could make about managing costs, changing prices, and different sales volumes would have on the company, so that they could better determine whether pursuing their venture full time was even a possibility. They both agreed that if they could see annual profit climb to around $300,000, they would consider making this a full-time endeavor. The case focuses on concepts related to cost behavior and cost-volume-profit analysis.
* In the B case, the company has begun to offer a second product line – a customized gym bag.  The owners consider the topic of overhead allocation in determining the cost of its basic gym bag and the new customized gym bag.  The company currently uses a traditional overhead allocation system, with one cost pool being allocated based on units.  Noticing that the custom gym bags tend to be ordered in small batch sizes and require more time from the sales staff to sell, the owners consider the implications of an activity-based cost system.  After allocating overhead costs based on an activity-based cost system, students must consider potential alternative courses of action that they could explore.