

Integrate Sixth Edition Features into Your Course

ENHANCE YOUR UNDERSTANDING

These boxed features get students thinking about key chapter concepts. A question is posed and its suggested solution is listed below so that students can immediately compare their resolution to that of the authors.

Enhance Your Understanding

What is the relationship between lead time and customer response time discussed in Chapter 2?
 Answer: Customer response time and lead time are the same concepts from different viewpoints. Both measure the time that elapses from when the buyer places an order until that order is received.

FAST FACT

These features tie chapter content to business events or product trivia. These interesting real-world scenarios show students how course topics are related to events outside of the classroom.

FAST FACT

It pays to pay attention to quality in your manufacturing processes. In 1903, 21-year-old William S. Harley and 20-year-old Arthur Davidson produced the first Harley-Davidson motorcycle. Their factory was a 10 × 15 foot wooden shed with the words "Harley-Davidson Motor Company" written on the door. By 1920, Harley-Davidson (HD) was the largest motorcycle manufacturer in the world. In 1969, HD merged with American Machine & Foundry Company (AMF) and quality began to suffer. Throughout the 1970s, HD had the dubious reputation of poor quality resulting in motorcycles prone to breaking down on the highway. In 1981,

13 senior executives sought to buy back the company from AMF and return HD to its former glory. By 1986 the buy-back was complete and HD renewed its commitment to quality manufacturing. In 2001, *Forbes* magazine named Harley-Davidson its company of the year. In 2008, more than 250,000 people came to Milwaukee to celebrate the 105th anniversary of Harley, some riding more than 5,000 miles to be there.

Source: www.harleydavidson.com.

OF INTEREST

These features, which were well-received in the previous editions, supplement the chapter with additional information. Professors can use Of Interest features to get students talking about the current issues in accounting.

OF INTEREST

Using Excel for Sensitivity Analysis

Using Excel (or another spreadsheet package) is a fast and easy way to perform sensitivity analyses. You simply set up cells for each variable in the cost-volume-profit formula and then write a formula to have Excel calculate the number of units. For example, the spreadsheet shown represents the CVP information in the chapter. In cell A6 we enter the following formula: $((E3/(1-D3)) + C3)/(A3-B3)$ and the result is the number of units required to have a profit of \$150 after taxes.

Now to perform sensitivity analysis, we copy this information to cells A8 through E13 and change a cell representing the variable of interest. For example, assume the selling price is reduced to \$2.50, we simply change cell A10 to \$2.50 and the results tell us that we must sell 629 units to have a profit of \$150 after taxes with a selling price of \$2.50 per unit.

	A	B	C	D	E
1	Selling	Variable	Fixed	Tax	Target
2	Price	Costs	Costs	Rate	Profit
3	3	1.1	703	0.15	150
4					
5	Cost-volume-profit analysis				
6	462,897				
7					
8	Selling	Variable	Fixed	Tax	Target
9	Price	Costs	Costs	Rate	Profit
10	2.5	1.1	703	0.15	150
11					
12	Cost-volume-profit analysis				
13	628,193				

KEY CONCEPTS

These features highlight important concepts in each chapter.



Discounts and premiums
 Think of discounts as being "less than" as in the "proceeds are less than the face value of the note." Likewise, think of premiums as being "more than" as in the "proceeds are more than the face value of the note."

Market Rate Less Than Face Rate

When the market rate of interest is *less* than the face rate of interest on the note, the proceeds of the note will be *greater* than the face value of the note. This means that the note is issued at a *premium* to make the note yield the market rate of interest, which is less than the face rate of interest. A **premium**, then, is the amount that the present value (cash proceeds) of a note exceeds its face value because the market rate of interest is less than the face rate of interest.

To illustrate, assume that PCs to Go takes the same \$500,000 note to Citicorp when the market rate of interest is 7 percent. In this case, PCs to Go will not incur 8 percent because the market rate of interest is 7 percent. To determine the proceeds of this note, the lender finds the present value of the two promised cash flows using the 7 percent market rate; that is, the promise to pay \$20,000 every six months and the promise to pay \$500,000 in four years. We know:

$$FV = \$500,000; ANN = 20,000; c = 2; n = 8; r = 7; \text{ therefore: } PV = 517,184.89$$

LEARNING OBJECTIVES

After being presented at the beginning of the chapter, learning objectives are linked to end-of-chapter material. Icons next to questions or problems indicate the learning objectives to which they are related.

END-OF-CHAPTER MATERIAL

Much of the end-of-chapter material can and should be used to enhance students' written and oral communication skills.

- For easy reference, each end-of-chapter section begins with a list of **Key Terms** and definitions.
- **Questions, Exercises, and Problems** follow to test how much of the chapter's content students recall.
- **Cases, Computer Applications, Critical Thinking, and Ethical Challenge** sections give students the opportunity to apply their accounting knowledge in a broader business setting. These problems almost always require learning and exploring outside of the text.
- An additional problem set for each chapter is available on the book's Online Learning Center at www.mhhe.com/ainsworth6e.

EXCEL SPREADSHEET ASSIGNMENTS



These are tied to the Computer Application problems and are located on the text Online Learning Center at www.mhhe.com/ainsworth6e. Excel icons appear next to problems that have corresponding spreadsheet assignments.