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ACCOUNTING CASES

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Featured Accounting Cases

W24490

ShakeeBee Honey Inc.: Managing Growth Prospects

Trevor Hagyard

ShakeeBee Honey Inc. was a relatively small producer of pure honey and beeswax and provider of pollination services located in central Newfoundland, Canada. The company needed to consider further expansion beyond the facility modernization it undertook in 2018; this expansion would involve acquiring additional land and attracting key personnel. In March 2020, the owner reached out to his accountant for assistance with a variety of accounting-related matters. The company needed an analysis of its current operations, including profitability by product/service line offered. It also needed an assessment of its application for a government pollination grant and a declaration in support of this application, and assistance in evaluating tax implications of some upcoming decisions.

Learning Objective: This exercise can be used in courses in management accounting and finance at the graduate level or in integrated Chartered Professional Accountants of Canada preparatory courses. After working through the case and answering the assignment questions, students will be able to
use cost allocation data to help evaluate segment financial performance;
review the appropriateness of cost allocation data to a segment for the purpose of support for an operating grant;
evaluate the sufficiency of funds available from personal assets, and assess the tax implications of their disposal for the purpose of business expansion funding;
consider options regarding assurance given in support of a government grant application;
use present value analysis to evaluate whether a firm should buy or lease land for expansion;
consider the tax implications, for an individual, of the sale of a principal residence and the eligibility of moving expenses; and
consider the corporate tax implications of an allowable business investment loss.

Publication Date: February 14, 2022
Discipline: Accounting;
Issues: managerial accounting, CPA, taxation
Industry: Agriculture, Forestry, Fishing and Hunting;
Setting: Canada, Small organization, 2020
Difficulty: Undergraduate/MBA

9B19B016

The Academy: Evaluating Growth Alternatives

Ian Dunn; Pooja Krishen

The Academy, a local CrossFit gym in Kitchener, Ontario, was determining how best to expand its business in order to continue its growth trajectory in a highly competitive industry. The gym's co-owner and head coach needed to decide whether to invest in upgrading The Academy's existing facility or open a second location. He wanted to complete a qualitative industry size-up, competitive analysis, consumer analysis, and corporate capabilities size-up, in addition to a quantitative size-up, including statement of cash flows and ratios analyses. He required the chosen growth strategy to meet a hurdle rate of 20 per cent.

Learning Objective: This case is best suited for a managerial accounting or strategy course at the undergraduate level. Students should have a good understanding of and ability to use fundamental business analysis tools before working on this case. The case could also be used as a testing vehicle. After working through the case and assignment questions, students will be able to
make a growth strategy decision including a potential business expansion;
consider various methods of managerial accounting analysis in order to produce the information necessary to make an informed decision;
incorporate qualitative analysis (i.e., industry, competitive, consumer, and corporate capabilities) with quantitative analysis (i.e., statement of cash flows, ratio analysis, differential analysis, and projected statements); and
consider the risks and potential mitigations associated with pursuing a particular decision.

Publication Date: December 20, 2019
Discipline: Accounting;
Issues: fitness industry; external analysis; internal analysis; business expansion; health; gym
Industry: Arts, Entertainment, Sports and Recreation;
Setting: Canada, Small organization, 2017
Difficulty: Undergraduate

9B19B015

Northwest Fitness: An Expansion Opportunity

Ian Dunn; Jessica Bond

In 2018, the owner of Northwest Fitness, a fitness business in London, Ontario, Canada, was analyzing the business's past year of operations and planning for the future. The company focused on “functional fitness” training to help clients improve aspects of their everyday life. The owner had launched the fitness studio with the help of a bank loan and a line of credit; after three years of success, he wondered if the company was finally in a financial position that would allow him to expand operations. He needed to analyze the past financial performance and project a statement of earnings and a statement of position assuming an expansion was pursued.

Learning Objective: The case is suitable for an introductory managerial accounting or finance course at the undergraduate level. Students need to understand projected financial statements, basic business analytical tools, business strategy, accounting, and finance. After working through the case and assignment questions, students will be able to
Complete an external (industry and competitive) analysis.
Complete an internal (corporate capabilities, statement of cash flows, ratio) analysis.
Project a statement of earnings and statement of financial position for the following year.
As the owner, make a decision regarding the expansion of the business.

Publication Date: December 18, 2019
Discipline: Accounting; Entrepreneurship;
Issues: management accounting; projected statements; ratio analysis; statement of cash flows analysis; historical financial performance; business expansion; health and fitness industry
Industry: Arts, Entertainment, Sports and Recreation;
Setting: Canada, Small organization, 2018
Difficulty: Intro/Undergraduate

9B19B003

Harsh Electricals: Analyzing Cost in Search of Profit

Rahul Pramani; Ashutosh Dash

Founded in 2008, Harsh Electricals was a supplier of electrical goods and home appliances to retailers in three states of southern India. After the company’s first few years of success and high profitability, the founder observed a steep decline in profits. In 2013, the founder was considering shifting the business to manufacturing and supplying air coolers, but needed to build a business plan that addressed the costs of manufacturing, the break-even point, and the new venture’s projected financial statements.

Learning Objective: This case is suitable for introductory undergraduate courses in cost accounting or management accounting to discuss cost concepts, cost classifications, and cost systems. The case can be used in graduate courses on cost accounting and management accounting to discuss product profitability analysis, the cost of goods sold statement, and cost-volume-profit analysis. It is also suitable for management development programs to discuss cost management for executives. After completion of the case, students will be able to
explain cost concepts and cost classifications for managerial decisions;
calculate product costs and profitability;
prepare a cost of goods sold statement;
understand cost-volume-profit analysis and the break-even point; and
prepare a projected income statement.

Publication Date: April 22, 2019
Discipline: Accounting; Entrepreneurship; International Business;
Issues: Cost accounting;
Industry: Wholesale Trade;
Setting: India, Small organization, 2013
Difficulty: MBA/Postgraduate

9B18B017

Danone: Adopting Integrated Reporting or Not? (A)

Diane-Laure Arjalies; Michelle Rodrigue; Delphine Gibassier;Ken Mark

Danone SA (Danone), a multinational food company based in Paris, had a history of social and environmental consciousness and a corporate strategy that focused on economic and social objectives. In 2013, the company was trying to ensure that this social and environmental focus was part of its decision-making process, and wanted to communicate its industry-leading efforts to internal and external stakeholders alike. The company had learned that it was not enough just to have internal systems and data prove its environmental consciousness. The company's carbon accounting initiative, for example, demonstrated the firm's progress in reducing its carbon footprint; however, because it did not make use of widely accepted carbon accounting standards, Danone's sustainability efforts were largely discounted or ignored. Now the company had to decide how to report to its various stakeholders going forward.

The A case focuses on Danone's reporting activity in 2013, when it worked with the International Integrated Reporting Council to pilot that organization's integrated reporting standard. The B case brings the situation forward to 2018 and discusses Danone's work to launch its own integrated report, its efforts to become certified as a B Corporation, and its support of the United Nations' Sustainable Development Goals.

Learning Objective: This case can be used in an undergraduate or graduate level course on social and environmental accounting, integrated reporting, sustainability accounting, sustainability management, corporate social responsibility, non-financial regulation, or accounting. It introduces the challenges of choosing and using a reporting system, explains integrated reporting, and introduces key players and standards in sustainability reporting. Following the discussion of the case, students will have developed their ability to do the following:
Identify and explain the issues related to choosing and implementing a non-financial reporting standard.
Describe the interrelationship between corporate culture and non-financial reporting.
Review the benefits and drawbacks of various reporting standards.
Identify internal and external stakeholders, and articulate their interests and incentives.
Choose and develop non-financial key performance indicators.

Publication Date: November 26, 2018
Discipline: Accounting; International Business;
Issues: ESG, environmental, social, governance, integrated reporting, sustainable, environment
Industry: Manufacturing;
Setting: France, Large organization, 2013
Difficulty: Undergraduate/MBA

9B18B016

University of Regina Club: Financial Statement Analysis

Nourhene Ben Youssef; Walid Busaba; Saqib A. Khan

The University Club at the University of Regina was in financial distress. The club had been losing money for several years and was being subsidized by the University of Regina. However, due to budget cuts by the Saskatchewan government, the university was no longer in a position to subsidize the operations of the club. The board of the club had to make some tough decisions at this time. Could the club exist without university subsidy? Should the board increase membership fees, increase the number of members, or simply close the club? To make an informed decision they needed to perform a detailed analysis of the financial statements. An accounting professor, who had recently joined the club's board, suggested performing ratio analysis to assess the problem areas.

Learning Objective: This course is best suited for introductory financial accounting and finance courses at the undergraduate or graduate levels. After completion of this case, students will be able to
perform a financial ratio analysis and analyze financial statements;
calculate and interpret several financial ratios;
use these tools effectively in business decision-making; and
appreciate the difficulty of laying off long-serving employees and severing long-term relationships with clients.

Publication Date: September 10, 2018
Discipline: Accounting; Entrepreneurship;
Issues: financial statement analysis, financial ratios
Industry: Accommodation & Food Services;
Setting: Canada, Small organization, 2017
Difficulty: Undergraduate/MBA

9B18B009

Fleetway: Where the Fun Never Stops

Ian Dunn; Jeremiah De Sousa

In 2018, the vice-president of operations at Fleetway set out to make some decisions regarding the company's future strategy. Fleetway, a family entertainment centre in London, Ontario, was a popular destination for family fun. With a new entrant in the region and a few expansion opportunities to choose from, the vice-president had to decide whether adding go-karting or an escape room presented the best opportunity for future success. Doing both was feasible too, but should Fleetway become a premium service offering or remain in its current space? The expansion could better position the company for future success because most family entertainment centres had slowly moved toward a premium service mix, as represented by a new local competitor. Should Fleetway move toward a premium service offering or remain operating in its current space?

Learning Objective: This case is best suited for a managerial accounting or strategy course at the undergraduate level. The case may serve as a comprehensive case or be used as a testing point. For correct analysis of this case, students should have a solid understanding of basic business analysis tools and the ability to apply them. After completion of the case, students will be able to
complete analyses of industry and government policy, consumers, and competition;
draw implications from historical qualitative facts relevant to the decisions in the case;
analyze the mechanics needed to build a statement of cash flows, differential cash flow, and segment report; and
evaluate the options, choose the most suitable future-oriented solution of the case, and make sound recommendations.

Publication Date: July 12, 2018
Discipline: Accounting;
Issues: management decisions, strategy, government policy, cash flow
Industry: Arts, Entertainment, Sports and Recreation;
Setting: Canada, Small organization, 2018
Difficulty: Undergraduate

9B18B004

Axonify: Budgeting for Rapid Growth

Howard M. Armitage; Dave Pooley; Alan Webb

In late 2016, Axonify, a Canadian technology company that managed a corporate online learning platform, was struggling to meet aggressive revenue growth targets while also controlling the costs of acquiring new customers. Axonify's chief financial officer had not imposed a top-down approach to developing budgets, nor had he attempted to closely monitor and control actual results against the budgeted costs. The members of the senior management team had been exercising considerable autonomy to develop their own functional area budgets and had been asked to explain only significant variances. The budgeting system had served Axonify well in its start-up phase. Would this "loose" budget system continue to work as the company grew, or should the chief financial officer have considered another budget process?

Learning Objective: This case is appropriate for an upper-level undergraduate course in management control systems or a graduate course in introductory management control systems. After completion of this case, students will be able to
calculate the budgeted cost of the marketing activities needed to achieve the targeted growth in new customers;
calculate the budgeted total average cost of acquiring new customers;
understand the revenue-generation process for a software-as-a-service company;
appreciate the importance of metrics such as the cost of acquiring new customers; and
evaluate whether the "loose" budgetary control system of a company's start-up phase should be revised as the company continues to grow.

Publication Date: March 23, 2018
Discipline: Accounting; Entrepreneurship;
Issues: budget, high growth, tech
Industry: Information, Media & Telecommunications;
Setting: Canada, Small organization, 2016
Difficulty: Undergraduate/MBA

9B17B020

Yalla Momos: Expansion Dilemmas of a Small Business

Anupam Mehta; Vimi Jham

In 2015, the owner and the founder of a restaurant business in Dubai was concerned about the company's future expansion and growth. Although it was doing well in terms of profitability, a financial forecast was required for the following year, particularly in light of tough competition in the restaurant business in Dubai.

Learning Objective: The case can be used in an introductory management accounting course at the undergraduate, graduate, or postgraduate levels. It presents students with the opportunity to

understand the dynamics of the food industry in Dubai;
understand the relevant factors to be considered in the decision to expand;
examine the various issues faced by a typical small restaurant, and determine how to resolve these with the help of CVP analysis;
explore the interrelations between cost, volume, and profit by applying CVP analysis techniques and by identifying the break-even point and the margin of safety; and
critically evaluate the impact of uncertainty on projected sales using the sensitivity model.

Publication Date: August 31, 2017
Discipline: Accounting; International Business; Entrepreneurship;
Issues: cost-volume-analysis, breakeven point, restaurant business, sensitivity analysis, small business, performance measurement, desired profitability, margin-of-safety, contribution margin statement
Industry: Accommodation & Food Services;
Setting: United Arab Emirates, 2015
Difficulty: Undergraduate/MBA

9B17B019

Tesla's Non-GAAP Accounting Measurements: Revenue Recognition and Stock-Based Compensation

Martin Persson; Mitchell Stein; Spencer Higgs

In November 2014, questions were raised about American electric car manufacturer Tesla Motors Inc.'s (Tesla's) accounting practices, which did not follow the generally accepted accounting practices (GAAP). Tesla’s third quarter 2014 financial statements showed a loss of almost US$75 million when using U.S. GAAP standards, compared to a profit of over $5 million when using its own non-GAAP standards. The accounting discrepancy between the two systems was due mainly to the allotment of vehicle buybacks, stock-based compensation, and regulatory credit sales. Tesla’s share price had risen to $242 from its initial public offering of $17. Had the company’s non-GAAP adjustments influenced investors’ perception of Tesla’s performance and, therefore, the resulting stock price? Specifically, was it reasonable to state that Tesla had been profitable in the third quarter of 2014? Were Tesla’s non-GAAP adjustments appropriate? How could the adjustments between Tesla’s GAAP and non-GAAP numbers be explained? What would Tesla’s performance look like if the financial statements were adjusted for the resale value guarantee, regulatory credits, and stock-based compensation?

Learning Objective: This case is suitable for an undergraduate financial accounting or graduate accounting course. Ideally, students should have some familiarity with public financial statements and some understanding of the principles underpinning revenue and expense recognition. After completion of the case, students will be able to
assess GAAP versus non-GAAP reporting, while demonstrating the substantial differences that can exist between the two methods;
adjust between GAAP and non-GAAP financials, while identifying the drivers of the differences between the two methods;
discuss different revenue recognition concepts; in particular, the treatment of revenue with a corresponding future commitment to customers, under the U.S. GAAP method;
distinguish between revenue from core business activities and revenue from non-core business activities; and
consider the relationship between public policy and company earnings.

Publication Date: August 24, 2017
Discipline: Accounting;
Issues: financial accounting
Industry: Manufacturing;
Setting: United States, Large organization, 2014
Difficulty: Undergraduate/MBA

9B16B012

Asante Teaching Hospital: Activity-Based Costing

Melissa Jean; Courtney Young

In August 2015, an intern at Asante Teaching Hospital, a prestigious not-for-profit hospital in Johannesburg, South Africa, wanted to organize the cost data she had gathered from staff interviews into clear recommendations for the hospital's chief executive officer. Asante Teaching Hospital's maternity ward competitors had begun offering bundled pricing for natural births, and the intern wondered if Asante Teaching Hospital should do the same. In order to calculate the costs of the service, she planned to employ both activity-based and time-driven activity-based costing techniques. With this information, she could present the results of her analysis and recommendations for a pricing strategy.

Learning Objective: The case is intended for upper-year undergraduate or graduate students in management or cost accounting courses. Upon successful completion of the case, students should be able to perform the following tasks:

Perform a competitive analysis to identify the risks and opportunities related to the hospital’s pricing strategy.
Prepare an activity-based and time-driven activity-based costing analysis to determine pricing for each of the three levels of care.
Qualitatively analyze the alternative pricing options to help shape the recommendations.
Make a pricing recommendation to the CEO for natural birth maternity ward services.

Publication Date: September 14, 2016
Discipline: Accounting; International Business;
Issues: activity-based costing, cost control, pricing, health administration, data analysis, health informatics, medical, obstetrics
Industry: Health Care Services;
Setting: South Africa, Medium organization, 2015
Difficulty: Undergraduate/MBA

9B16B008

American Apparel: Drowning in Debt?

Anupam Mehta

The American clothing retailer American Apparel recently experienced a loss of $106 million and faced huge debt repayments. In addition, the chief executive officer (CEO) and founder was dismissed because of personal misconduct. Students must evaluate the financial status of the company and address the impact of the CEO’s termination on the financial performance of the company.

Learning Objective: This case is intended for introductory classes on financial-statement analysis. It is suitable for both postgraduate introductory lectures and undergraduate accounting courses. Students should have a basic knowledge and understanding of accounting concepts. Learning objectives are as follows:
To conduct a comprehensive financial evaluation of a company.
To use various financial assessment tools, including trend analysis, common size statements, and financial ratios.

Publication Date: April 14, 2016
Discipline: Accounting;
Issues: Financial performance; financial analysis; trend analysis; financial health
Industry: Retail Trade;
Setting: United States, Large organization, 2014
Difficulty: Undergraduate/MBA

9B16B007

Anandam Manufacturing Company: Analysis of Financial Statements

Vinay Goyal; S.K. Mitra

In July 2015, the owner of the Anandam Company approached a bank for additional funding to meet the growing requirements of his garment manufacturing firm. The owner was confident about the financial prospects of his firm, with its fourfold increase in revenue and phenomenal increase in profit after taxes over the last three years. In a lengthy discussion with the bank manager, the owner shared the development of his company and the dynamics and growth opportunities of the garment and textile market in India. He believed his firm was performing strongly in a highly competitive industry environment. The bank manager instructed the loan officer to process the loan application as soon as possible and make a decision. Determining the health of the company would involve preparing a trend analysis and a common size statement, interpreting selected ratios, and preparing a basic statement of cash flows. Was the Anandam Company a good candidate for receiving a loan?

Learning Objective: This case is suitable for use in the early stage of an MBA or undergraduate core course in accounting where students are required to study the financial analysis of an organization. It is also relevant in bank management courses where the approval/rejection of loans is taught.

The case requires students to conduct a financial analysis of the Anandam Company for the purpose of obtaining a loan from the bank. It entails the use of financial statement analysis, balance sheets, and income statements to provide a complete picture of a firm's financial health.
The case allows students to calculate a series of financial ratios and perform basic financial statement analysis, which requires the preparation of a cash flow statement, trend analysis, and common size statements.
The case will help demonstrate shortcomings in ratio analysis and will serve as a caution to students against misreading and misinterpreting financial statements.

Publication Date: April 13, 2016
Discipline: Accounting; Entrepreneurship; International Business;
Issues: Ratio analysis, cash flow analysis, financial analysis, bank loan
Industry: Manufacturing;
Setting: India, Small organization, 2014
Difficulty: Undergraduate/MBA

9B16B002

Hospitality Services — Eatery Challenges

Elizabeth M.A. Grasby; Richard Bloomfield

The associate director of hospitality services at a large university had to address overcapacity at an on-campus eatery. The eatery was experiencing long lineups and severe bottlenecks, especially at its full-service coffee outlet. Seating capacity was also short of demand, and no additional space was available. The associate director also faced pressure from university administration to consider closing a nearby eatery as a result of its poor profitability, but doing so would put additional strain on the already overcapacity eatery. After examining profitability and completing a corporate assessment, the associate director expected to have a better idea of how to tackle the current capacity and profitability issues.

Learning Objective: This case is suitable for use in an introduction to managerial accounting course. After completion of the case, students will be able to:
Complete a brief industry, corporate, and consumer analysis.
Conduct a sub-unit evaluation to understand the costs related to each unit's contribution.
Qualitatively analyze options for performance and profitability.
Make recommendations from the viewpoint of the associate director of hospitality services.

Publication Date: March 07, 2016
Discipline: Accounting;
Issues: Contribution analysis, segment reporting, cost allocation, sub-unit evaluation
Industry: Accommodation & Food Services;
Setting: Canada, Medium organization, 2015
Difficulty: Introductory

9B13B023

Hosted SP: Outsourced SharePoint

Chris Sturby; Mary Gillett; Brendon Lendor-Mason

The founder of a cloud computing business needs to determine the costs of providing the company's services to its clients. Students must perform an activity-based costing exercise to determine the cost of the company's two core product offerings and recommend which product should become the company's focus. Students must also consider the treatment of upfront capital costs when determining profitability. To make a decision, students must understand the company, the industry in which it operates and the costing issues involved.

Learning Objective: The case is intended to be taught in an intermediate or advanced managerial accounting course. It is suitable toward the end of a module on cost accounting as an illustration of the use and benefits of activity-based costing from a strategic and managerial focus.

Publication Date: July 08, 2015
Discipline: Accounting;
Issues: Activity based costing; costing systems; cloud computing; Canada
Industry: Information, Media & Telecommunications;
Setting: Canada, Medium organization, 2012
Difficulty: Undergraduate/MBA

9B14B006

Hockley Valley Brewing Co. Inc.

Elizabeth M.A. Grasby; Ian Dunn

During the summer of 2013, the company founder and operations manager of Hockley Valley Brewing Co. Inc., a microbrewery situated in rural Ontario, were reviewing the company's product mix. Sales at a recent summer festival showed a strong demand for light beers, rather than the dark ales that made up the majority of Hockley's sales. Not only did the company compete with large multinational brewing companies, but they faced stiff competition from the established and new microbreweries that were springing up all over Ontario to meet consumer demand for fresh, local and unique beers. They had to decide whether the company should launch a new lager to further penetrate the light beer market; if so, they also had to make recommendations on pricing, distribution and promotional strategies for the new brand.

Learning Objective: This case best serves as an introduction to a marketing management module in an introductory undergraduate business course. Its objectives are the following:

To conduct an industry and competitive analysis and a corporate size-up.
To build on the introduction of the various components (product, placement, price, promotion) of a marketing framework.
To calculate unit contribution and breakeven for the introduction of a new product.
To design a marketing plan and to make a decision/recommendation about whether to go ahead with the new product.

Publication Date: May 07, 2014
Discipline: Accounting; Marketing;
Issues: New products; marketing mix; pricing; distribution; brand positioning; Canada
Industry: Accommodation & Food Services;
Setting: Canada, Small organization, 2013
Difficulty: Introductory

9B13B022

Fly Ash Brick Project: Feasibility Study Using CVP Analysis

S.K. Mitra; Shubhra Hajela

A budding entrepreneur in India is planning to set up a fly ash brick manufacturing plant near a thermal power plant. Not only does making bricks out of the residue of coal power generation reduce the amount of fly ash waste dumped on the ground, but the government is actively supporting the fly ash brick industry as a way to meet the increasing demands for construction materials that are environmentally sustainable. On the basis of preliminary analysis, the entrepreneur decides to set up a plant that will have the capacity to manufacture four million bricks. Though actual production will depend on market demand, he and his potential partner estimate that 2.4 million bricks can be sold per year at an average Rs 7,000 per 1,000 bricks. He wants to ascertain the feasibility of the project using a cost-volume-profit analysis.

Learning Objective: To teach the basic concepts surrounding cost-volume-profit analysis and to determine the breakeven point to ascertain the feasibility of a project. To analyze various expenses into fixed cost, variable cost and initial investment and to simulate return on equity depending on different volumes.

Publication Date: December 20, 2013
Discipline: Accounting; Entrepreneurship; International Business;
Issues: CVP Analysis; Feasibility analysis; breakeven point; cost analysis; India
Industry: Construction;
Setting: India, Small organization, 2013
Difficulty: Undergraduate/MBA

9B12B011

Predicting a Firm's Financial Distress: The Merrill Lynch Co. Statement of Cash Flows

Danielle Morin; Julien Lemaux; Dominique Hamel

During the night of September 14, 2008, a few hours before Lehman Brothers folded, Merrill Lynch declared defeat: it was acquired by Bank of America (BofA). Unsure of its ability to continue as a standalone entity, Merrill Lynch ended 90 years of independence. Before its buyout by BofA, Merrill Lynch was the world’s largest and most widely recognized stockbroker. It dominated retail stockbroking with its army of 16,000 brokers around the world. At the start of 2008, Merrill Lynch, Goldman Sachs, Morgan Stanley, Lehman Brothers, and Bear Stearns were the five largest standalone investment banks, with a combined total history of 549 years. But within a span of six months, they would all be gone as independent investment banks. Some observers wondered whether any early signs of the financial distress that the investment firm industry experienced in 2008 could be seen in the financial statements published in the years preceding the acquisition of Merrill Lynch. In addition, was there merit in evaluating the performance of the company from an angle other than that of operating results, which is typically used by financial analysts? Specifically, would there be value in an assessment of the company’s performance by scrutinizing the origin and use of its liquid assets for the years 2005, 2006, and 2007? Such an investigation would require focus on the statements of cash flows, including the need to:
Evaluate the cash situation at year-end.
Analyze cash flows provided (used) by operating activities.
Analyze cash flows provided (used) by investment activities.
Analyze cash flows provided (used) by financing activities.

Learning Objective: The numerous bankruptcies and financial difficulties experienced by American banks and several financial institutions in 2008, a phenomenon that had been unseen in analysts’ forecasts, point to shortcomings in existing financial analysis techniques. A key question is the following: What is the informative value of the statement of cash flows in predicting the financial distress of a company? This case is intended for MBA or undergraduate students (future managers, investors, and auditors) to make sense of cash flow statements and look at companies’ performance beyond statements of earnings.

The aim of this case is to enhance the informative value of cash flows by doing a thorough analysis of the statements of cash flows disclosed in the three years preceding the 2008 financial crisis by Merrill Lynch & Co.

Publication Date: May 30, 2012
Discipline: Accounting; Finance;
Issues: 2008 Financial Crisis; Financial Prediction; Cash Flows Statement; Merrill Lynch; Financial Statements Analysis; Bank Performance Analysis; United States
Industry: Finance and Insurance;
Setting: United States, Large organization, 2008
Difficulty: Undergraduate/MBA

9B11M028

Governance Failure at Satyam

Ajai Gaur; Nisha Kohli

An acquisition decision by Satyam Corporation created discontent among shareholders and led to a series of investigations that revealed fraud of about INR 50 billion, leading to resignations by several board members and the CEO. This episode became a mockery of corporate governance practices, raising questions about the efficacy of well-accepted governance norms.

This case covers the events that led to the failure of Satyam. The roles of not only the “promoter” but also other parties, such as the managers, board of directors, auditors and bankers, are discussed in detail. The case draws attention to various corporate governance and ethical issues and provides an opportunity to discuss measures that should be taken by regulators, auditors, and other bodies to prevent fraud.

Learning Objective: This case can be used in an undergraduate, MBA, or executive development program to highlight the following issues:
Ethics and corporate governance: This case can be used to discuss the effectiveness of current corporate governance regulations and how they can be made more effective.
Organizational culture and values: Corporate governance mechanisms, such as ownership structure, board composition and stakeholder influence, determine organizational culture and values.
Smaller firms inherit corporate values from their founders. In larger companies, managers and board members play a pivotal role in shaping corporate values. This case can be used to discuss the factors affecting the development of corporate values.

Publication Date: June 22, 2011
Discipline: Accounting; General Management/Strategy; International Business;
Issues: Corporate Governance; Auditing; Board of Directors; Fraud; India
Industry: Information, Media & Telecommunications;
Setting: Hyderabad, India, Large organization, 2008
Difficulty: Undergraduate/MBA

9B10B007

Otago Museum

Ralph W. Adler; Jing Song

In existence since 1868, the non-profit Otago Museum in New Zealand had undergone several changes and expansions during its history and was regarded as curator of a broad-based collection of Maori and South Pacific artifacts. In January 2010, the Otago Museum's chief financial officer (CFO) was instructed by the museum's chief executive officer (CEO) to create a balanced scorecard (BSC) for the museum. The current CEO had brought a sense of customer orientation and financial acumen to the general running of the museum, evidenced through examination of customer satisfaction via surveys and focus groups, and various efforts to diversify income streams. The development of a BSC was seen as a practical way to reinforce and further motivate employee behaviour congruent with the focus on customer service and financial acumen. The resulting BSC needed to clearly articulate the museum's objectives, and the cause-and-effect relationships linking BSC dimensions with the museum's strategic vision and mission.

Publication Date: July 29, 2010
Discipline: Accounting; Organizational Behaviour/Leadership; International Business; Marketing;
Issues: Strategy; Balanced Scorecard; Organizational Culture; Strategic Planning; Non-Profit Organization; Management Accounting; Corporate Strategy
Industry: Arts, Entertainment, Sports and Recreation;
Setting: New Zealand, Small organization, 2010
Difficulty: Undergraduate/MBA

9A98B002

Caribbean Internet Cafe

Murray J. Bryant; Michelle Theobalds

An entrepreneur is hoping to open Caribbean Internet Cafe in Kingston, Jamaica. He has gathered data on all the relevant costs: equipment, rent, labor, etc. He has also found a partner in the local telephone company, Jamaica Telecommunications Limited (JTL). JTL has provided equity and a long-term loan at favourable interest rates. He is now faced with the task of analyzing fixed, variable and start-up costs, contribution margin, and the concept of break-even to guide his decision.

Publication Date: March 19, 1998
Discipline: Accounting; International Business;
Issues: Costs; Contribution Analysis; Break-Even Analysis
Industry: Arts, Entertainment, Sports and Recreation;
Setting: Jamaica, Small organization, 1996
Difficulty: Undergraduate/MBA