

# Costly Reflections in a Midas Mirror



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*Third Edition*

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All characters, other than purely historical characters, and events in this book are fictitious and any resemblance to actual persons and events is coincidental.

*Dedicated to Arnold Marmor*



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# Preface

*Costly Reflections in a Midas Mirror, Third Edition*, is a supplementary text to be used near the end of principles of managerial accounting course or at the beginning of a second-level cost accounting course. This instructional novel is ideal for an MBA program or finance course which has a light coverage of managerial accounting, or can be used in CPA firms' or IRS in-house training programs. It is also suitable for a law school course on managerial accounting, or a criminal justice course on white collar crime.

Gerhard G. Mueller, past president of the American Accounting Association, indicates that "malaise" best describes accounting education today. "Our present textbooks and pedagogy haven't changed since the 1950s and are quite obsolete." A scenario approach is one answer to this malaise. A scenario is an example with a character (a person) performing certain actions in a particular situation.

The use of an imaginative novel is an ultimate extension of the scenario approach. A novel can be a series of continuous examples relating to a central theme instead of just several unrelated examples put forth as separate scenarios. In addition, students tend to relate to fictional characters in action-packed adventures. The story, along with its verbal pictures, jogs the memory more easily than gray pages of technical material alone. Proven aids in learning include the element of surprise when a learner encounters an unexpected phenomenon, and the retention of a new concept which appears in a dramatic, unusual context.

This novel mixes fraud, murder, art, ethics, humor, and cost accounting together to provide a better way of learning the managerial accounting process. Lenny Cramer, a professor at Columbia University, tries to help a wealthy friend of his university. As a managerial professor, he uses his forensic accounting background to solve a "whodunit" plot. Along the way, business practices and accounting concepts are elucidated in a way both students and instructors will find gripping as well as informative.

In 1976, L.G. Eckel penned the following:

*There was an accountant  
who got in a stew.  
He had so many choices  
He didn't know what to do.*

The potential murderers are, likewise, numerous in this fast-paced Philip Marlowe-type intrigue. Although a fundamental premise in accounting is that the reporting entity is a going-concern in the absence of evidence to the contrary, with so many murders in this plot, a liquidation assumption is more appropriate. So jump on board and enjoy the read. Learn how life imitates cost accounting. But keep sunk cost values and salability of assets in mind as you unravel the plot, rather than the traditional historical costs. Remember that an effective managerial accountant must be a good detective and interviewer, even without the fedora and snub-nosed revolver.

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*For me, a career in accounting has been like a day in a great orchard with ripe fruit on every tree and insufficient time to taste it all. Opportunities have been overwhelming. Rewards have been more than adequate. I think it will always be so.*

—Robert K. Mautz

*A management accountant applies his or her professional knowledge and skills in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking.*

—The Institute of Certified Management Accountants (ICMA)

*Most companies, however, use management accounting information derived from the system used to prepare periodic financial statements. Driven by the procedures and cycles of the financial reporting system, most management accounting information is too aggregated, too distorted, and too delayed to be relevant for managerial planning and control. Today's management accounting systems rarely fit contemporary markets and technologies.*

—H. Thomas Johnson and Robert S. Kaplan

*We urge that in order to successfully serve in the dual role of managers/accountants, management accountants must be prepared to face the challenges of providing management with “classic” and “tailor-made” financial and nonfinancial information. They also must take advantage of the opportunities to expand and enhance their participation in the management process in “traditional” and “world-class” organizations.*

—Grover L. Porter and Michael D. Akers