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**Berkshire Industries PLC**

1. Were Berkshire’s motivations for a new incentive system reasonable? If so, what were their main options for a new system? Was an economic profit-focused system a reasonable choice?

2. Use the data pertaining to the Snack Food Division, as shown in Exhibit TN-1, to calculate:

1. The economic profit for the division for 2000 and 2001.
2. The economic profit target for the division for 2001.
3. The division manager’s bonus payout (% of salary) for 2000 and 2001. (Assume that the slope of the payoff line for 2000 was arbitrarily set by the Berkshire management to equal 1.0.)

3. Assume the base salary of the manager of the Snack Foods Division was £120,000 in both 2000 and 2001. How much cash would the manager receive from his bonus payouts in 2000 and 2001?

4. Evaluate Berkshire Industries’ new incentive plan. What changes would you recommend, if any?

5. Should Mr. Embleton make special adjustments of the economic profit figures or the bonus payouts for personnel in the Spirits Division in 2000 and 2001? Why or why not?

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**Johansen’s: The New Scorecard System**

1. Why has Johansen’s introduced the new scorecard system?
2. What is the company’s strategy? What are the key success factors for successfully implementing that strategy? Describe the organizational structure in place at the company.
3. Consider each of the four perspectives of Johansen’s new scorecard system. Why are they included? How are they measured?
4. What rating do you advocate awarding Clark? What are the key arguments you use to support that rating?

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**Mainfreight**

1. Mainfreight’s top executives, three of whom are qualified accountants, maintain that their re budgets. Is that contention accurate? How should one determine whether a company prepares a budget or not?
2. At the very least, Mainfreight’s management systems are nontraditional.
	1. What are the key elements of Mainfreight’s results control systems?
	2. Why did Mainfreight managers decide to take a nontraditional approach?
	3. How does Mainfreight perform the functions typically fulfilled by budgets? Or are some of those functions really not that important?
	4. Does the Mainfreight system address the limitations of traditional budgets? Does it introduce new limitations?
3. Is Mainfreight a well-controlled organization?
4. Should companies that now use an annual budgeting process try to emulate some or all of the management systems used by Mainfreight? Why or why not?