

Dennis Johns, manager of the financial services department of Hyde Papers, was complaining:

The CEO is really on my case. He keeps asking why corporate staff departments, like finance and information technology, can't develop methods of cost control and cost assignment just like our production departments. I keep explaining, but he doesn't seem to understand, that you can't use the same techniques for white-collar departments, staffed by professionals, that you use for our production and production support departments that do repetitive, predictable work.

The financial services department at Hyde Papers is a staff unit in the corporate controller's department responsible for all central accounting activities, including consolidations, general accounting, salaried payroll, accounts payable, accounts receivable, and invoicing. Hyde Papers is a large diversified producer of paper and pulp products. Its product divisions range from timber growing and harvesting to paper and pulp production, to paper office supplies production and distribution. All the operating divisions are supported by corporate staff departments, such as the controller's department, at company headquarters.

The functions of the financial services department are:

Consolidations, General Accounting, and Database Administration: Consolidation activities include report preparation, reconciliations, special projects or analyses, and report changes for business units and divisions. Database administration involves maintaining and updating the data and systems required for all corporate financial reports. Costs include personnel, computers, and supplies.

Payroll: The payroll function provides the biweekly check and earnings statement for each employee, the annual W-2 statement for employee tax returns, and special payments such as bonus checks, commissions, special rewards, and deferred compensation.

Accounts Payable: The accounts payable unit verifies, prepares, and mails invoice payments to suppliers, maintains records on all suppliers, and mails paychecks to employees.

Accounts Receivable: This unit processes all payments made by customers. It verifies the payment against the invoice and deposits the payment into a company's bank account. It also maintains the customer file (name and address of each customer) and conducts periodic credit checks on customers.

Invoicing: The invoicing process records the pricing and delivery terms for each shipment and sends an invoice to the customer for the appropriate amount.

Required

- (1) Do you agree with Dennis Johns's claim that white-collar, support department work cannot be controlled in the same manner as production processes?
- (2) Could the financial services department be treated as a standard cost center rather than a discretionary expense center?