

The Revenue Side of the Responsibility-Centered Management (RCM) Model at Regional State University

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Synopsis

The continual decline in state funding for public higher education has caused many universities to abandon their traditional budgeting models and search for new alternatives to cope with budget shortfalls. The Responsibility-Centered Management (RCM) model has become extremely popular and appears to be the budget model of choice by an ever-growing number of public colleges and universities.

This case was developed to introduce accounting students to the RCM budget model and give them the opportunity to work through a case that was based on actual events. This particular case focuses primarily on the issues surrounding Revenue Allocation. It is most appropriate for undergraduate and graduate classes in cost accounting, non-profit accounting, and public policy. Students are challenged with computational accuracy, assessment of existing models, development of alternative allocation schemes, and assessment of financial impacts of different policy choices.

Learning Outcomes

In completing this assignment, students should be able to:

1. Calculate RCM budgets for the four colleges at RSU assuming various proportions of SCHs and number of majors.
2. Compare and contrast the various RCM budgets with the regular budgets.
3. Discuss how RCM may change policies within a college or school.
4. Identify issues associated with using a percentage of revenue as an overhead allocation method.
5. Explain how you could improve the overhead allocation using an Activity-Based Costing system.

Application

This case is most appropriate for undergraduate and graduate classes in cost and non-profit accounting, as well as public policy.

Key words

Responsibility-centered, RCM, budgeting

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