

Chapter 1 accounting tb flashcard



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CHAPTER 1 THE ACCOUNTANT'S ROLE IN THE ORGANIZATION TRUE/FALSE 1.

Management accounting information focuses on external reporting. Answer:

False Difficulty: 1 Objective: 1 Terms to Learn: management accounting

Management accounting information focuses on internal reporting. 2. A good cost accounting system is narrowly focused on a continuous reduction of costs. Answer: False Difficulty: 2 Objective: 1 Terms to Learn: cost accounting

A good cost accounting system is broadly focused to provide information

that helps managers at all levels implement, monitor, and evaluate company strategies. 3. Modern cost accounting plays a significant role in

management decision making. Answer: True Difficulty: 1 Objective: 1 Terms to

Learn: cost accounting 4. The balance sheet, income statement, and

statement of cash flows are used for financial accounting, but not for

management accounting. Answer: False Difficulty: 1 Objective: 1 Terms to

Learn: financial accounting The balance sheet, income statement, and

statement of cash flows are used for financial accounting and also for

management accounting. 5. Financial accounting is broader in scope than

management accounting. Answer: False Difficulty: 2 Objective: 1

Terms to Learn: financial accounting, management accounting Management

accounting is broader in scope than financial accounting. 6. Cost accounting

measures and reports short-term, long-term, financial, and nonfinancial

information. Answer: True Difficulty: 2 Objective: 1 Terms to Learn: cost

accounting 7. Cost management provides information that helps increase

value for customers. Answer: True Difficulty: 1 Objective: 1 Terms to Learn:

cost management 8. An ideal database should consist of data that could be

used for a single purpose only. Answer: False Difficulty: 2 Objective: 1 Terms to Learn: management accounting

An ideal database should be able to be used for multiple purposes. 9. An Enterprise Resource Planning (ERP) System is a single database that collects data and feeds into applications that support each of the company's business activities, such as purchases, production, distribution, and sales.

Answer: True Difficulty: 1 Objective: 1 Terms to Learn: management accounting 10. Cost accounting provides information only for management accounting purposes. Answer: False Difficulty: 1 Objective: 1 Terms to Learn: cost accounting Cost accounting provides information for financial

accounting as well as for management accounting purposes. 1. Cost management involves long-term and short-term decisions that attempt to increase value for customers and lower costs of products or services.

Answer: True Difficulty: 1 Objective: 1 Terms to Learn: cost management 12.

All strategies should be evaluated regarding the resources and capabilities of the company. Answer: True Difficulty: 1 Objective: 2 Terms to Learn: strategy

13. The best-designed strategies are valuable whether or not they are effectively implemented. Answer: False Difficulty: 1 Objective: 2 Terms to Learn: strategy Implementation is essential or the strategy is useless. 14.

The key to a company's success is creating value for customers while differentiating itself from its competitors. Answer: True Difficulty: 1 Objective: 2 Terms to Learn: strategy 15. The key to a company's success is always to

be the low cost producer in a particular industry. Answer: False Difficulty: 2 Objective: 2 Terms to Learn: strategy The low cost producer in a particular industry will not necessarily be successful. 16. Companies generally follow

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one of two basic strategies: 1) providing a quality product or service at low prices, or 2) offering a unique product or service often priced higher than competing products.

Answer: TrueDifficulty: 2Objective: 2 Terms to Learn: strategy 17.

Management accountants should have little or no role in deciding on a company's strategy. Answer: FalseDifficulty: 1Objective: 2 Terms to Learn: strategy Management accountants should play a significant role in deciding on a company's strategy. 18. Companies can decide on an appropriate strategy based strictly on internally available information. Answer: FalseDifficulty: 1Objective: 2 Terms to Learn: strategy Companies must obtain external information as well as internal information to decide on an appropriate strategy. 19.

Strategic cost management describes cost management that specifically focuses on strategic issues. Answer: TrueDifficulty: 1Objective: 2 Terms to Learn: strategic cost management 20. The supply chain refers to the sequence of business functions in which customer usefulness is added to products or services. Answer: FalseDifficulty: 1Objective: 3 Terms to Learn: supply chain The value chain refers to the sequence of business functions in which customer usefulness is added to products or services. 21. An effective way to cut costs is to eliminate activities that do not improve the product attributes that customers value.

Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: cost management 22.

For optimal planning success it is best if each business function within the value chain is performed one at a time in sequence. Answer: FalseDifficulty:

1Objective: 3 Terms to Learn: value chain Optimally, success is achieved when two or more of the individual business functions work concurrently as a team. 23. For best results, cost management emphasizes independently coordinating supply chain activities within your company and not interfering with other companies. Answer: FalseDifficulty: 2Objective: 3 Terms to Learn: cost management

Cost management emphasizes integrating and coordinating supply chain activities across all companies within the supply chain. 24. Technological innovation has led to shorter product-life cycles and a need to bring new products to market more rapidly. Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: design of products, services, or processes 25. Key success factors include cost, quality, timeliness, and innovation. Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: value chain 26. Customers are demanding increased levels of performance in all aspects of the value chain and the supply chain.

Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: value chain 27. The value chain describes the flow of goods, services, and information from the initial sources of materials and services to the delivery of products to consumers. Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: value chain 28. The supply chain always occurs within a single organization. Answer: FalseDifficulty: 1Objective: 3 Terms to Learn: supply chain The supply chain can include organizations external to a single organization. 29. Distribution refers to promoting and selling products or services to customers or prospective customers.

Answer: FalseDifficulty: 1Objective: 3 Terms to Learn: distribution Marketing refers to promoting and selling products or services to customers or prospective customers. 30. The production component of the value chain refers to acquiring, coordinating, and assembling resources to produce a product or deliver a service. Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: production 31. Management accountants might provide information on decisions on whether to buy a product from outside or manufacture it in-house. Answer: TrueDifficulty: 1Objective: 3 Terms to Learn: cost-benefit approach 2. Key success factors are geared to improving customer satisfaction. Answer: TrueDifficulty: 2Objective: 4 Terms to Learn: value chain 33. Value chain refers to its value to the employee. Answer: FalseDifficulty: 1Objective: 4 Terms to Learn: value chain Value chain refers to its value to the customer. 34. Companies have to follow strict guidelines when designing a management accounting system. Answer: FalseDifficulty: 1Objective: 4 Terms to Learn: management accounting The design of a management accounting system should be guided by the challenges facing managers. 35.

Tracking what is happening in other companies is illegal. Answer: FalseDifficulty: 1Objective: 4 Terms to Learn: strategy Tracking what is happening in other companies alerts managers to changes in their industry and can be accomplished in many legal ways such as visiting competitor's Web sites and reviewing their financial statements. 36. Increased global competition is placing pressure on companies to reduce costs. Answer: TrueDifficulty: 1Objective: 4 Terms to Learn: strategy 37. The increasing pace of technological innovation has resulted in longer product life cycles.

Answer: FalseDifficulty: 1Objective: 4 Terms to Learn: strategy The increasing pace of technological information has resulted in shorter product lifecycles. 38. A bottleneck occurs when the work to be performed exceeds the available capacity. Answer: TrueDifficulty: 1Objective: 4 Terms to Learn: cost management 39. It is difficult to control activities without a budget. Answer: TrueDifficulty: 1Objective: 5 Terms to Learn: budget 40. To take advantage of changing market opportunities, the annual budget should be strictly enforced. Answer: FalseDifficulty: 2Objective: 5 Terms to Learn: budget

To take advantage of changing market opportunities, the annual budget should be updated to reflect those changes. 41. A budget is a tool used to plan and express strategy. Answer: TrueDifficulty: 2Objective: 5 Terms to Learn: budget 42. Linking rewards to performance is a major deterrent to good management performance. Answer: FalseDifficulty: 1Objective: 5 Terms to Learn: feedback Linking rewards to performance helps to motivate good management performance. 43. Employees pay little attention to how their performance is measured. Answer: FalseDifficulty: 1Objective: 5 Terms to Learn: feedback

Employees are very aware of how their performance is measured. 44. A budget may be used as a planning tool, but not as a control tool. Answer: FalseDifficulty: 1Objective: 5 Terms to Learn: budget A budget may be used as a planning tool and also as a control tool. 45. Financial accounting reports financial and nonfinancial information that helps managers implement company strategies. Answer: FalseDifficulty: 1Objective: 5 Terms to Learn: financial accounting Management accounting reports financial and

nonfinancial information that helps managers implement company strategies. 46. Feedback links planning and control.

Answer: TrueDifficulty: 1Objective: 5 Terms to Learn: feedback, control 47.

Control includes deciding what feedback to provide that will help with future decision making. Answer: TrueDifficulty: 1Objective: 5 Terms to Learn:

control 48. When a particular aspect of employee performance is measured, employees pay more attention to it. Answer: TrueDifficulty: 2Objective: 5

Terms to Learn: feedback 49. A performance report compares actual

performance to the amount budgeted. Answer: TrueDifficulty: 1Objective: 5

Terms to Learn: budget 50. Attention-directing activities should focus on

cost-reduction opportunities, and not on valued-adding opportunities.

Answer: FalseDifficulty: 1Objective: 6 Terms to Learn: attention directing

Attention-directing activities should focus on cost-reduction opportunities

and value-adding opportunities. 51. For strategic decisions, scorekeeping is

the most prominent role played by management accounting. Answer:

FalseDifficulty: 2Objective: 6 Terms to Learn: problem solving For strategic

decisions, problem solving is the most prominent role played by

management accounting. 52. Management accountants often are

simultaneously doing problem-solving, scorekeeping, and attention-directing

activities. Answer: TrueDifficulty: 1Objective: 6

Terms to Learn: attention directing, problem solving 53. Management

accounting is playing an increasingly important role by helping managers

develop and implement strategy. Answer: TrueDifficulty: 1Objective: 6 Terms

to Learn: management accounting, strategy 54. An example of problem

solving is evaluating bids from three different companies to supply a particular part used in manufacturing. Answer: True Difficulty: 2 Objective: 6 Terms to Learn: problem solving 55. It is generally easy to quantify expected benefits and costs when applying the cost-benefit approach. Answer: False Difficulty: 2 Objective: 7

Terms to Learn: cost-benefit approach It is challenging and generally costly to quantify expected benefits and costs when applying the cost-benefit approach. 56. The purpose of a budget is strictly technical. It does not influence behavior. Answer: False Difficulty: 2 Objective: 7 Terms to Learn: budget The purpose of a budget is both technical and behavioral. It does influence behavior. 57. A cost concept used for external reporting purposes may not be appropriate for internal, routine reporting to managers. Answer: True Difficulty: 2 Objective: 7 Terms to Learn: cost accounting, financial accounting 58.

Generally accepted accounting principles (GAAP) require that the same accounting methods be used for both internal and external reporting. Answer: False Difficulty: 2 Objective: 7 Terms to Learn: management accounting Accounting methods for internal reporting are not specified by Generally Accepted Accounting principles (GAAP) 59. The use of teams to achieve corporate objectives is increasing. Answer: True Difficulty: 2 Objective: 8 Terms to Learn: line management, staff management 60. By reporting and interpreting relevant data, the controller exerts an influence that impels management toward making informed decisions.

Answer: TrueDifficulty: 2Objective: 8 Terms to Learn: controller 61. The controller (also called the chief accounting officer) is the financial executive primarily responsible for both management accounting and financial accounting. Answer: TrueDifficulty: 1Objective: 8 Terms to Learn: controller 62. The controller is generally a staff position. Answer: TrueDifficulty: 1Objective: 8 Terms to Learn: controller 63. Management accountants have important ethical responsibilities that are related to competence, confidentiality, integrity, and objectivity. Answer: TrueDifficulty: 1Objective: 9 Terms to Learn: professional ethics 64.

A managerial accountant should not disclose confidential information to an outside party (such as a newspaper) unless legally obligated to do so.

Answer: TrueDifficulty: 1Objective: 9 Terms to Learn: professional ethics 65.

If a managerial accountant were not keeping up with current developments in managerial accounting, that behavior might violate a competence standard of professional ethical behavior. Answer: TrueDifficulty: 1Objective: 9 Terms to Learn: professional ethics 66. If a managerial accountant suspected his or her immediate superior of wrongdoing, the managerial accountant should request an immediate meeting with the Board of Directors.

Answer: FalseDifficulty: 1Objective: 9 Terms to Learn: professional ethics If a managerial accountant suspected his or her immediate superior of wrongdoing, the managerial accountant should first present the situation to the next higher managerial level. 67. The Institute of Management

Accountants provides a hotline to discuss ethical issues. Answer:

TrueDifficulty: 1Objective: 9 Terms to Learn: professional ethics 68. When

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faced with a potential ethical conflict, the managerial accountant should first consult any internal procedures of that organization. Answer: True Difficulty: 1 Objective: 9 Terms to Learn: professional ethics

9. When confronted with a potential ethical conflict, a managerial accountant should not contact his or her personal attorney concerning rights and obligations. Answer:

False Difficulty: 2 Objective: 9 Terms to Learn: professional ethics When confronted with a potential ethical conflict, a managerial accountant should contact his or her personal attorney concerning rights and obligations.

MULTIPLE CHOICE 70. Management accounting: a. focuses on estimating future revenues, costs, and other measures to forecast activities and their results b. provides information about the company as a whole c. reports information that has occurred in the past that is verifiable and reliable d. provides information that is generally available only on a quarterly or annual basis Answer: a Difficulty: 2 Objective: 1 Terms to Learn: management

accounting 71. Financial accounting: a. focuses on the future and includes activities such as preparing next year's operating budget b. must comply with GAAP (generally accepted accounting principles) c. reports include detailed information on the various operating segments of the business such as product lines or departments d. is prepared for the use of department heads and other employees Answer: b Difficulty: 2 Objective: 1 Terms to

Learn: financial accounting 72. The person MOST likely to use ONLY financial accounting information is a: a. factory shift supervisor b. vice president of operations c. current shareholder d. department manager Answer:

c Difficulty: 1 Objective: 1 Terms to Learn: financial accounting 73. The person MOST likely to use management accounting information is a(n): a. banker

evaluating a credit application b. shareholder evaluating a stock investment
c. governmental taxing authority d. assembly department supervisor

Answer: dDifficulty: 1Objective: 1 Terms to Learn: management accounting

74. Financial accounting provides the PRIMARY source of information for: a.
decision making in the finishing department b. improving customer service c.
preparing the income statement for shareholders d. planning next year's
operating budget Answer: cDifficulty: 2Objective: 1 Terms to Learn: financial

accounting 75. Which of the following descriptors refers to management
accounting information? a. It is verifiable and reliable. b. It is driven by rules.
c. It is prepared for shareholders. d. It provides reasonable and timely
estimates.

Answer: dDifficulty: 2Objective: 1 Terms to Learn: management accounting

76. Which of the following statements refers to management accounting
information? a. There are no regulations governing the reports. b. The
reports are generally delayed and historical. c. The audience tends to be
stockholders, creditors, and tax authorities. d. It primarily measures and
records business transactions. Answer: aDifficulty: 2Objective: 1 Terms to

Learn: management accounting 77. Which of the following groups would be
LEAST likely to receive detailed management accounting reports? a.
stockholders b. sales representatives c. production supervisors . managers

Answer: aDifficulty: 1Objective: 1 Terms to Learn: management accounting

78. Management accounting information includes: a. tabulated results of
customer satisfaction surveys b. the cost of producing a product c. the
percentage of units produced that are defective d. All of these answers are
correct. Answer: dDifficulty: 1Objective: 1 Terms to Learn: management

accounting 79. Cost accounting: a. provides information on the efficiency of factory labor b. provides information on the cost of servicing commercial customers c. provides information on the performance of an operating division d.

All of these answers are correct. Answer: dDifficulty: 1Objective: 1 Terms to Learn: cost accounting 80. Which of the following types of information are used in management accounting? a. financial information b. nonfinancial information c. information focused on the long term d. All of these answers are correct. Answer: dDifficulty: 2Objective: 1 Terms to Learn: management

accounting 81. Modern cost accounting plays a role in: a. planning new products b. evaluating operational processes c. controlling costs d. All of these answers are correct. Answer: dDifficulty: 1Objective: 1 Terms to Learn: cost accounting 82. A data warehouse or infobarn: . is reserved for exclusive use by the CFO b. is primarily used for financial reporting purposes c. stores information used by different managers for multiple purposes d. gathers only nonfinancial information Answer: cDifficulty: 1Objective: 1 Terms to Learn:

cost accounting 83. Cost accounting provides all of the following EXCEPT: a. information for management accounting and financial accounting b. pricing information from marketing studies c. financial information regarding the cost of acquiring resources d. nonfinancial information regarding the cost of operational efficiencies

Answer: bDifficulty: 2Objective: 1 Terms to Learn: cost accounting 84.

Management accounting includes: a. implementing strategies b. developing budgets c. preparing special studies and forecasts d. All of these answers are correct. Answer: dDifficulty: 1Objective: 1 Terms to Learn: management

accounting 85. Financial accounting is concerned PRIMARILY with: a. external reporting to investors, creditors, and government authorities b. cost planning and cost controls c. profitability analysis d. providing information for

strategic and tactical decisions Answer: a Difficulty: 2 Objective: 1 Terms to

Learn: financial accounting 6. Financial accounting provides a historical

perspective, whereas management accounting emphasizes: a. the future b.

past transactions c. a current perspective d. reports to shareholders Answer:

a Difficulty: 1 Objective: 1 Terms to Learn: financial accounting 87. An

Enterprise Resource Planning System can best be described as: a. a

collection of programs that use a variety of unconnected databases b. a

single database that collects data and feeds it into applications that support

each of the company's business activities, such as purchases, production,

distribution, and sales c. database that is primarily used by a purchasing

department to determine the correct amount of a particular supply item to

purchase d. a sophisticated means of linking two or more companies to

facilitate their planning processes Answer b Difficulty: 1 Objective: 1 Terms to

Learn: cost accounting 88. The approaches and activities of managers in

short-run and long-run planning and control decisions that increase value for

customers and lower costs of products and services are known as: a. value

chain management b. enterprise resource planning c. cost management d.

customer value management

Answer: c Difficulty: 1 Objective: 1 Terms to Learn: cost management 89.

Which of the following statements concerning an organization's strategy is

NOT true? a. Strategy specifies how an organization matches its own

capabilities with the opportunities in the marketplace to accomplish its

objectives. b. Management accountants provide input to help managers formulate strategy. c. A good strategy will always overcome poor implementation. d. Businesses usually follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition.

Answer: cDifficulty: 2Objective: 2 Terms to Learn: strategy 90. Which of the following is NOT one of the questions management accountants might attempt to help answer in the formulation of strategy? a. Who are our most important customers? b. What substitute products exist in the marketplace? c. Does the strategy comply with GAAP (Generally Accepted Accounting Principles)? d. Will adequate cash be available to implement the strategy?

Answer: cDifficulty: 2Objective: 2 Terms to Learn: strategy 91. Strategy specifies: a. how an organization matches its own capabilities with the opportunities in the marketplace b. standard procedures to ensure quality products c. incremental changes for improved performance d. the demand created for products and services Answer: aDifficulty: 2Objective: 2 Terms to Learn: strategy 92. Strategy is formulated by answering all of the following EXCEPT: a. Who are our most important customers? b. Is industry demand growing or shrinking? c. Will our external auditors certify our strategy? d. How sensitive are purchasers to price, quality, and service?

Answer: cDifficulty: 3Objective: 2 Terms to Learn: strategy 93. In designing strategy, a company must match the opportunities and threats in the marketplace with: a. those of the CFO (Chief Financial Officer) b. its resources and capabilities c. branding opportunities d. capabilities of current suppliers

Answer: bDifficulty: 2Objective: 2 Terms to Learn: strategy 94. Which of the

following statements about customer value is NOT true? a. Customer value is shown in a corporation's balance sheet. b. Creating value for customers is an important part of planning and implementing strategy. c. How our product delivers customer value should be determined as part of a company's strategy formulation. d. It is possible to simultaneously lower cost and increase customer value.

Answer: a Difficulty: 1 Objective: 2 Terms to Learn: strategy 95. Place the four business functions in the order they appear along the value chain: A =

Customer service B = Design C = Distribution D = Production a. A B D C b. A

C D B c. B D C A d. B A D C Answer: c Difficulty: 2 Objective: 3 Terms to Learn:

value chain 96. R, production, and customer service are business functions that are all included as part of: a. the value chain b. benchmarking c.

marketing d. the supply chain Answer: a Difficulty: 1 Objective: 3 Terms to

Learn: value chain 97. The value chain is the sequence of business functions

in which: a. value is deducted from the products or services of an organization

b. value is proportionately added to the products or services of an

organization c. products and services are evaluated with respect to their

value to the supply chain d. usefulness is added to the products or services

of an organization Answer: d Difficulty: 2 Objective: 3 Terms to Learn: value

chain 98. _____ is the generation of, and experimentation with, ideas

related to new products, services, or processes. a. Research and

development b. Design of products, services, or processes c. Production d.

Marketing

Answer: a Difficulty: 1 Objective: 3 Terms to Learn: research and development

99. _____ is the detailed planning and engineering of products, services,

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or processes. a. Distribution b. Design of products, services, or processes c. Production d. Marketing Answer: bDifficulty: 1Objective: 3 Terms to Learn:

design of products, services, or processes 100. _____ is the acquisition, coordination, and assembly of resources to produce a product or deliver a service. a. Research and development b. Customer service c. Production d. Marketing Answer: cDifficulty: 1Objective: 3 Terms to Learn: production 101.

_____ is the manner by which companies promote and sell their products or services to customers or perspective customers. a. Distribution b. Customer service c. Research and development d. Marketing Answer: dDifficulty: 1Objective: 3 Terms to Learn: marketing 102.

_____ is the delivery of products or services to customers. a. Distribution b. Customer service c. Production d. Design of products, services, or processes Answer: aDifficulty: 1Objective: 3 Terms to Learn: distribution 103.

_____ is the after-sale support provided to customers. a. Distribution b. Customer service c. Production d. Marketing Answer: bDifficulty: 1Objective: 3 Terms to Learn: customer service 104.

_____ is an operational factor that directly affects the economic viability of the organization. a. Customer focus b. A key success factor c. Continuous improvement d. Supply chain Answer: bDifficulty: 2Objective: 3 Terms to Learn: value chain 105.

_____ describe(s) the flow of goods, services, and information from the purchase of materials to the delivery of products to consumers, regardless of whether those activities occur in the same organization or with other organizations. a. Supply chain b. Key success factors c. Continuous improvement . Customer focus Answer: aDifficulty: 1Objective: 3 Terms to Learn: supply chain 106.

Which of the following

statements about a company's supply chain is true? a. A company's supply chain is always internal to a firm. b. A company's supply chain is always external to a firm. c. A company's supply chain is the same thing as a company's value chain. d. Management accountants provide information to enhance a company's supply chain. Answer: d Difficulty: 1 Objective: 3 Terms to Learn: supply chain 107. Strategy should focus PRIMARILY on the organization's: a. shareholders b. customers c. products d. employees

Answer: b Difficulty: 2 Objective: 4 Terms to Learn: strategy 108. Whose perceptions of the company's products or services are the most important to the manager? a. board of directors' perception b. customers' perception c. president's perception d. stockholders' perception Answer: b Difficulty:

2 Objective: 4 Terms to Learn: strategy 109. To be successful, a company needs to be: a. customer driven b. "driven" by the board of directors c. employee driven d. management driven Answer: a Difficulty: 2 Objective: 4

Terms to Learn: strategy 110. Customers are demanding improved performance related to: a. reduced costs b. both reduced costs and increased quality c. lower costs, improved quality, and improved customer service d.

All of these answers are correct. Answer: d Difficulty: 2 Objective: 4 Terms to Learn: strategy 111. Customer response time involves: a. the speed it takes

a customer to respond to an advertisement and place an order b. the speed at which an organization responds to customer requests c. the speed it takes to develop a new product d. the speed it takes an organization to develop a

Total Quality Management (TQM) program Answer: b Difficulty: 2 Objective: 4 Terms to Learn: strategy 112.

Which of the following is NOT a way for a company to improve customer response time? a. Increase capacity of bottleneck operations. b. Purchase material in larger quantities. c. Use faster delivery procedures. d. Produce the product more quickly. Answer: b Difficulty: 2 Objective: 4 Terms to Learn: strategy 113. A report showing the actual financial results for a period compared to the budgeted financial results for that same period would most likely be called a: a. strategic plan b. management forecast c. performance report d. revised plan Answer: c Difficulty: 1 Objective: 5 Terms to Learn: budget 114.

The process of preparing a budget: a. forces coordination and communication across business functions b. increases accounting efficiencies c. reduces overcapacity d. promotes production automation Answer: a Difficulty: 2 Objective: 5 Terms to Learn: budget 115. Control includes: a. implementing planning decisions b. evaluating performance c. providing feedback to help with future decision making d. All of these answers are correct Answer: d Difficulty: 1 Objective: 5 Terms to Learn: control 116. A budget: a. is a quantitative expression of a proposed management plan b. helps translate strategy into actions . aids in the coordination and communication among various business functions d. All of these answers are correct. Answer: d Difficulty: 1 Objective: 5 Terms to Learn: budget 117. A budget can serve as: a. a planning tool b. a control tool c. a basis for preparing financial statements d. a planning and control tool Answer: d Difficulty: 1 Objective: 5 Terms to Learn: budget 118. Employees _____ how their performance is measured. a. pay close attention to b. pay no attention to c. rarely know d. Both b and c are correct. Answer:

aDifficulty: 1Objective: 5 Terms to Learn: control 119. Linking rewards to performance: a. elps to motivate managers b. allows companies to charge premium prices c. should only be based on financial information d. All of these answers are correct. Answer: aDifficulty: 2Objective: 5 Terms to Learn: control 120. Control measures should: a. be set and not changed until the next budget cycle b. be flexible to allow for employees who are slackers c. be kept confidential from employees so that competitors don't have an opportunity to gain a competitive advantage d. be linked by feedback to planning Answer: dDifficulty: 2Objective: 5 Terms to Learn: control 121. A well-conceived plan allows managers the ability to: . not make decisions again until the next planning session b. keep lower-level managers from implementing change c. underestimate costs so that actual operating results will be favorable when comparisons are made d. take advantage of unforeseen opportunities Answer: dDifficulty: 2Objective: 5 Terms to Learn: planning 122. Which of the following statements concerning performance reports is NOT correct? a. The performance report shows actual performance as compared to the budget. b. The performance report is a feedback tool. c. The performance report often leads to more investigations and action. . The performance report contains no actual results due to confidentiality. Answer: dDifficulty: 2Objective: 5 Terms to Learn: budget 123. For control decisions, emphasis is place on the _____ role(s) of management accounting. a. problem-solving b. scorekeeping c. attention-directing d. Both scorekeeping and attention-directing are correct. Answer: dDifficulty: 2Objective: 6 Terms to Learn: attention directing, problem solving 124. For strategic decisions, emphasis is placed on the _____ role(s) of management accounting. a.

problem-solving b. scorekeeping c. attention-directing d. Both b and c are correct.

Answer: aDifficulty: 1Objective: 6 Terms to Learn: problem-solving 125.

Tracking the type of product returned is a PRIMARY example of: a. problem solving b. scorekeeping c. attention directing d. Both a and b are correct.

Answer: cDifficulty: 2Objective: 6 Terms to Learn: attention directing 126. A daily sales report is a PRIMARY example of: a. problem solving b.

scorekeeping c. attention directing d. Both a and b are correct. Answer:

bDifficulty: 2Objective: 6 Terms to Learn: scorekeeping 127. Making a recommendation regarding the lease or purchase of a fleet of vehicles is a PRIMARY example of: a. roblem solving b. scorekeeping c. attention directing d. Both a and b are correct. Answer: aDifficulty: 2Objective: 6 Terms to

Learn: problem solving 128. _____ means reporting and interpreting information that helps managers to focus on operating problems, imperfections, inefficiencies, and opportunities. a. Scorekeeping b. Attention directing c. Problem solving d. None of these answers are correct. Answer:

bDifficulty: 1Objective: 6 Terms to Learn: attention directing 129.

_____ identifies several available alternatives and often recommends the best course to follow. a. Scorekeeping b.

Attention directing c. Problem solving d. None of these answers are correct.

Answer: cDifficulty: 1Objective: 6 Terms to Learn: problem solving 130.

Management accounting is considered successful when it: a. helps creditors evaluate the company's performance b. helps managers improve their decisions c. is accurate d. is relevant and reported annually Answer:

bDifficulty: 2Objective: 6 Terms to Learn: management accounting 131. The

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act of simply measuring and reporting information: a. focuses the attention of employees on those processes b. diverts employee's attention to other activities c. improves the saying "What gets measured gets managed." d. has no effect on employee behavior Answer: a Difficulty: 2 Objective: 7

Terms to Learn: control, feedback 132. Which statement is FALSE? a. "What gets measured gets managed." b. People react to measurements. c. Employees spend more attention on those variables that are not getting measured. d. "If I can't measure it, I can't manage it." Answer: c Difficulty: 2 Objective: 7

Terms to Learn: control, feedback 133. The PRIMARY criterion when faced with a resource allocation decision is: a. cost minimization b. reduction in the amount of time required to perform a particular job c. achievement of organizational goals d. how well the alternative options help achieve organizational goals in relation to the costs incurred for these systems Answer: d Difficulty: 3 Objective: 7

Terms to Learn: cost-benefit approach 134.

Which of the following statements about the cost-benefit approach is TRUE?

a. Resources should be spent if they are expected to better attain company goals in relation to the expected costs of these resources. b. In a cost-benefit analysis, both costs and benefits are easy to obtain. c.

Resources should be spent if the costs of a decision outweigh the benefits of the decision. d. A cost-benefit approach would not be appropriate for a decision to install a budget system or not. Answer: a Difficulty: 2 Objective: 7

Terms to Learn: cost-benefit approach 135. The person(s) directly

responsible for attaining of organizational objectives is/are: a. the treasurer b. line management c. the controller d. the chief financial officer Answer: b

Difficulty: 1 Objective: 8 Terms to Learn: line management 136. As

teamwork has become more prominent in the last few years, differences between staff and line management: a. have increased b. have become more important relative to promotions c. have diminished d. have only been evident in the employee reward system Answer: c Difficulty: 2 Objective: 8 Terms to Learn: line management, staff management 137. The Institute of Management Accountants (IMA): a. is a professional organization of management accountants b. is a professional organization of financial accountants c. is a professional subsidiary of the Financial Accounting Standards Board (FASB) d. issues standards for financial accounting Answer: a Difficulty: 2 Objective: 8 Terms to Learn: management accounting 38. Line management includes: a. manufacturing managers b. human-resource managers c. information-technology managers d. management-accounting managers Answer: a Difficulty: 2 Objective: 8 Terms to Learn: line management 139. Staff management includes: a. manufacturing managers b. human-resource managers c. purchasing managers d. distribution managers Answer: b Difficulty: 2 Objective: 8 Terms to Learn: staff management 140. Responsibilities of a CFO include all of the following EXCEPT a. providing financial reports to shareholders b. managing short-term and long-term financing c. investing in new equipment . preparing federal, state, and international tax returns Answer: c Difficulty: 3 Objective: 8 Terms to Learn: chief financial officer (CFO) 141. The _____ is primarily responsible for management accounting and financial accounting. a. COO (Chief Operating Officer) b. CIO (Chief Information Officer) c. treasurer d. controller Answer: d Difficulty: 1 Objective: 8 Terms to Learn: controller 142. All of the following report to the CFO EXCEPT the: a. controller

b. tax department manager c. production manager d. treasurer Answer:

cDifficulty: 1Objective: 8 Terms to Learn: chief financial officer (CFO) 143.

Management accounting is an integral part of the _____ function in an organization. a. treasurer's b. controller's c. internal audit d. president's

Answer: bDifficulty: 1Objective: 8 Terms to Learn: management accounting,

controller 144. The Standards of Ethical Conduct for management

accountants include concepts related to: a. competence, performance,

integrity, and reporting b. competence, confidentiality, integrity, and

objectivity c. experience, integrity, reporting, and objectivity d. None of

these answers are correct. Answer: bDifficulty: 2Objective: 9 Terms to Learn:

professional ethics 45. Ethical challenges for management accountants

include: a. whether to accept gifts from suppliers, knowing it is an effort to

indirectly influence decisions b. whether to report unfavorable department

information that may result in unfavorable consequences for a friend c.

whether to file a tax return this year d. Both a and b are correct. Answer:

dDifficulty: 2Objective: 9 Terms to Learn: professional ethics 146. Which of

the following actions should a management accountant take first in

confronting a potential ethical conflict concerning your direct supervisor? .

Inform the Board of Directors of the existence of a potential conflict. b.

Confront the supervisor directly. c. Discuss the situation with your

supervisor's direct supervisor. d. Review your organization's procedures

concerning resolution of such a conflict. Answer: dDifficulty: 2Objective: 9

Terms to Learn: professional ethics EXERCISES AND PROBLEMS 147. For

each report listed below, identify whether the major purpose of the report is

for (1) routine internal reporting, (2) nonroutine internal reporting, or for (3) external reporting to investors and other outside parties.

Item: a. study detailing sale information of the top-ten selling products b. weekly report of total sales generated by each store in the metropolitan area c. annual Report sent to shareholders d. monthly report comparing budgeted sales by store to actual sales Answer: a. (2) nonroutine internal reporting b. (1) routine internal reporting c. (3) external reporting to investors and other outside parties d. (1) routine internal reporting Difficulty: 2 Objective: 1 Terms to Learn: management accounting 148.

Classify each cost item into one of the business functions of the value chain, either (1) R, (2) design, (3) production, (4) marketing, (5) distribution, or (6) customer service. Item: a. cost of samples mailed to promote sales of a new product b. labor cost of workers in the manufacturing plant c. bonus paid to a person with a 90% satisfaction rating in handling customers with complaints d. transportation costs for shipping products to retail outlets Answer: a. (4) marketing b. (3) production c. (6) customer service d. (5) distribution

Difficulty: 2 Objective: 3 Terms to Learn: value chain 49. Classify each cost item of Ripon Printers into one of the business functions of the value chain, either (1) R, (2) design, (3) production, (4) marketing, (5) distribution, or (6) customer service. Item: a. cost of customer order forms b. cost of paper used in manufacture of books c. cost of paper used in packing cartons to ship books d. cost of paper used in display at national trade show e. depreciation of trucks used to transport books to college bookstores f. cost of the wood used to manufacture paper g. salary of the scientists attempting to find another source of printing ink h. cost of defining the book size so that a

standard-sized box is filled to capacity Answer: a. (4) marketing b. (3) production c. (5) distribution d. (4) marketing e. (5) distribution f. (3) production g. (1) research and development h. (2) design Difficulty:

2Objective: 3 Terms to Learn: value chain 150. For each type of report listed below, identify one planning decision and one controlling decision for which the information would be helpful. Assume you are a Walgreen Company store. Item: a. annual financial statements for the past three years b. report detailing sales by department by each hour of the day for the past week c. special study regarding increased road traffic due to the construction of a new shopping mall at a near-by intersection Answer: Please note that answers will vary, but may include the following: a. Planning: Decision by shareholder about whether to purchase more stock in the company. Control: Decision by bank to determine if financial ratios maintained in the line-of-credit (LOC) agreement warrant increasing the LOC amount. b. Planning: Decisions regarding future staffing needs. Control: Decision regarding whether the recent sales promotion led to an increase in revenue. c.

Planning: Decision of the store manager about whether to change the types of retail items carried. Control: Decision of the store manager regarding performance of the analyst that prepared the special study. Difficulty:

3Objective: 5Terms to Learn: planning, control 151. For each of the following activities, identify whether the main role of accounting is (1) problem solving, (2) scorekeeping, or (3) attention directing. Item: a. analyzing the impact of introducing a new product on production b. comparing results between actual costs and budgeted costs for each step of manufacturing a product c. preparing a report that analyzes changes in cost resulting from

reducing the number of tubing sizes used during production from six down to two d. reporting sales by branch for the sales manager Answer: a. (1)

problem solving b. (3) attention directing c. (1) problem solving d. (2)

scorekeeping Difficulty: 2 Objective: 6 Terms to Learn: problem solving

CRITICAL THINKING 152. Describe management accounting and financial

accounting. Answer: Management accounting provides information to

internal decision makers of the business such as top executives, managers, sales representatives, and production supervisors.

Its purpose is to help managers predict and evaluate future results. Reports are generated often and usually broken down into smaller reporting divisions such as department or product line. There are no rules to be complied with since these reports are for internal use only. Management accounting embraces more extensively such topics as the development and implementation of strategies and policies, budgeting, special studies and forecasts, influence on employee behavior, and nonfinancial as well as financial information.

Financial accounting, by contrast, provides information to external decision makers such as investors and creditors. Its purpose is to present a fair picture of the financial condition of the company. Reports are generated quarterly or annually and report on the company as a whole. The financial statements must comply with GAAP (generally accepted accounting principles). A CPA audits, or verifies, that the GAAP are being followed.

Difficulty: 2 Objective: 1 Terms to Learn: management accounting 153. Is financial accounting or management accounting more useful to an operations manager?

Why? Answer: Management accounting is more useful to an operations manager because management accounting reports operating results by department or unit rather than for the company as a whole, it includes financial as well as nonfinancial data such as on-time deliveries and cycle times, and it includes quantitative as well as qualitative data such as the type of rework that was needed on defective units. Difficulty: 3 Objective: 1 Terms to Learn: management accounting 154. Is it possible to have an active cost management program without an Enterprise Resource Planning (ERP) System?

Answer: Yes, an active cost management program can occur without an Enterprise Resource Planning (ERP) System. Cost management is a philosophy that guides management in their short-run and long-run planning and control decisions that increase value for customers and lower costs of products and services. Cost management is not dependent on any particular system or database, but it is rather an overall philosophy of operation.

Difficulty: 2 Objective: 1 Terms to Learn: cost management 155. What competitive advantage could a company obtain from a successful cost management program? Answer:

There are three broad outcomes from a successful cost management program: 1) costs are reduced with no loss in customer value. In this scenario, a company might gain a competitive advantage by lowering its price with no loss in profit, or maintain the same price and increase profit; 2) customer value is increased with no change in costs. This scenario might increase customer satisfaction resulting in increased customer loyalty and perhaps increase the overall demand for the product; 3) customer value

might be increased while costs are reduced simultaneously. This scenario would result in the benefits described in both 1) and 2).

Difficulty: 2 Objective: 1 Terms to Learn: cost management 156. What is strategy? Briefly describe the two broad types of strategies that companies may choose to pursue. Answer: Strategy specifies how an organization matches its own capabilities with the opportunities in the marketplace to accomplish its objectives. In other words, strategy describes how a company will compete. Companies follow one of two broad strategies. One is provide a quality product or service at low prices. The other is to compete on their ability to offer a unique product or service that is generally offered at a higher price.

Difficulty: 2 Objective: 2 Terms to Learn: strategy 157. Briefly describe how managers make use of management accounting information. Answer: ONE: To choose strategy, to communicate it, and to determine how best to implement it. TWO: To plan business operations related to designing, producing, and marketing a product or service. This includes preparing budgets and determining the prices and cost of products and services. A company must know the cost of each product and service to decide which products to offer and whether to expand or discontinue product lines.

THREE: To control business operations that includes comparing actual results to the budgeted results and taking corrective action when needed. Difficulty: 2 Objective: 1, 2, 5 Terms to Learn: strategy, planning 158. Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the

competition. Assume you are opening a small food outlet across the street from your campus. How might that business be operated under each of the two broad strategies? Consider the following specific operational areas: a. target customers b. products offered c. product pricing d. location choice e. advertising content f. advertising media

Answer: The purpose of this question is to explore some of the differences in business operations as a result of a broad strategic choice. Answers will differ from student to student, but you should see some specific themes.

Operational Area	Low Price Strategy	Differential Strategy
Target customers	Target customers might be students on a tight budget. students, faculty, or perhaps neighbors who live nearby.	Target customers might be more wealthy. High quality products, probably a reasonable choice, restaurant might have a lot of ambience.
Products offered	Few products, heavy emphasis on tight cost control, probably set up as a high volume operation.	High quality products, probably a reasonable choice, restaurant might have a lot of ambience.
Product pricing	Priced at or lower than the competition in the area.	Higher priced products. Location choice
Location choice	Convenient to the target customers. Not as convenient, perhaps in a higher-end shopping or entertainment area.	Customers might seek out the high quality and be willing to travel a bit for it.
Advertising content	Advertising would emphasize the low price.	Advertising would emphasize quality or of the products offered.
Advertising media	Media that would be looked at by the target customers, such as student newspapers.	Media that would be looked at by the target customer, local magazines and newspapers.

Difficulty: 3 Objective: 2 Terms to Learn: strategy 159.

Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Is it possible to follow a strategy that is “in the middle”? Answer: There is some dispute about the correct answer to this question. Some will argue that it is not good for companies to get “caught in the middle” because the customer might get confused as to whether or not the company is competing on price or is trying to make some other appeal.

If the customer is confused about how the company is giving them value, they might perceive they are getting no value and abandon the product to a competitor with a clearer customer value proposition. The other side of the argument is that cost management is a necessary part of any strategy and even if the company chooses to pursue a differential strategy, management of the company should always be seeking ways to manage costs and increase customer value simultaneously regardless of their strategy. The student should be able to articulate one or the other arguments coherently.

Difficulty: 2 Objective: 2 Terms to Learn: strategy 160. Describe the value chain and how it can help organizations become more effective. Answer: A value chain is a sequence of business functions whose objective is to provide a product to a customer or provide an intermediate good or service in a larger value chain. These business functions include R, design, production, marketing, distribution, and customer service. An organization can become more effective by focusing on whether each link in the chain adds value from the customer’s perspective and furthers the organization’s objectives.

Difficulty: 3 Objective: 3 Terms to Learn: value chain 161. In most organizations, customer satisfaction is one of the top priorities. As such, attention to customers is necessary for success. Briefly describe the four types of demands customers are currently placing on organizational performance. Answer: Cost: Organizations are under continuous pressure to reduce the cost of the products or services they sell to their customers. Quality: Customers are expecting higher levels of quality and are less tolerant of low quality than in the past.

Time: Time has many components: the time taken to develop and bring new products to market; the speed at which an organization responds to customer requests; and the reliability with which promised delivery dates are met. Organizations are under pressure to complete activities faster and to meet promised delivery dates more reliably than in the past in order to increase customer satisfaction. Innovation: There is now heightened recognition that a continuing flow of innovative products or services is a prerequisite for the ongoing success of most organizations.

Difficulty: 2 Objective: 3 Terms to Learn: customer service 162. Briefly explain the planning and control activities in management accounting. How are these two activities linked to each other? Answer: Planning business operations relates to designing, producing, and marketing a product or service. This includes preparing budgets and determining the prices and cost of products and services. A company must know the cost of each product and service to decide which products to offer and whether to expand or discontinue product lines.

Controlling business operations includes comparing actual results to the budgeted results and taking corrective action when needed. Feedback links planning and control. The control function provides information to assist in better future planning. Difficulty: 2 Objective: 5 Terms to Learn: planning, control 163. Explain how a budget can help management implement strategy. Answer: A budget is a planning tool, a quantitative expression of a plan of action. First, actions are planned and then they are communicated to the entire organization. The budget also helps with coordination.

Difficulty: 3 Objective: 5 Terms to Learn: budget 164. Explain how a customer focus can result in increased profits for a company. Answer: If customers who provide a company with the most profits are attracted, satisfied, and retained, profits will increase as a result. Difficulty: 3 Objective: 5 Terms to Learn: strategy 165. Complete a performance report for the month of May, 2007, for the Daily Bulletin, a regional newspaper showing four columns: 1) Actual Result; 2) Budgeted Amount; 3) Difference: Actual Result minus Budgeted Amount; 4) Difference as a Percentage of Budgeted Amount, given the following data: Advertising pages sold | 900 | | Budgeted advertising pages | 910 | | Advertising revenue | \$4,368,000 | | Budget advertising revenue | \$4,410,000 | Does the report indicate any cause for managerial investigation? Answer: The performance report should look something like the following: | Actual Result | Budgeted Amount | Difference (Actual | Difference as a Percentage | | (1) | (2) | Result - Budgeted | of Budgeted Amount | | | | Amount) | (4) = (3) / (2) | | | | (3) = (1) - (2) | | | Advertising pages sold | 910 pages | 900 pages | 10 pages Favorable | 1. % Favorable | | Average rate per page | \$4800 | \$4900 | \$100 Unfavorable | 2. 0% Unfavorable

(Advertising Revenues)	/	(Advertising pages sold)	=	Advertising rate per page
\$4,368,000		\$4,410,000		\$42,000
				Favorable
				1.0% Favorable

The overall 1% favorable difference in advertising revenue is caused by offsetting differences in advertising pages sold (favorable) and the average rate per page (unfavorable). The performance report highlights the unfavorable drop in the advertising rate per page. While the percentage drop in advertising revenue per page is not dramatic, management might want to investigate the reasons behind such a drop. Some possibilities include: aggressive price reductions to obtain revenue, a general drop in newspaper media spending, some aggressive competition, or an unrealistic budget.

Difficulty: 3 Objective: 5 Terms to Learn: budget 166. Discuss the potential behavior implications of performance evaluation.

Answer: As measurements are made on operations and, especially, on individuals and groups, the behavior of the individuals and groups are affected. People react to the measurements being made. They will focus on those variables or the behavior being measured and spend less attention on variables and behavior that are not measured. In addition, if managers attempt to introduce or redesign cost and performance measurement systems, people familiar with the previous system will resist. Management accountants must understand and anticipate the reactions of individuals to information and measurements.

The design and introduction of new measurements and systems must be accompanied with an analysis of the likely reactions to the innovations.

Difficulty: 3 Objective: 7 Terms to Learn: feedback 167. How does a controller help "control" a company? Answer: By reporting and interpreting relevant

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data, the controller exerts a force or influence that impels management toward making better-informed decisions. The controller of Caterpillar described the job as “ a business advisor to ... help the team develop strategy and focus the team all the way through recommendations and implementation. ” Difficulty: 3Objective: 8Terms to Learn: controller 168.

You have been employed as an entry-level management accountant for a little under a year. You suspect that your immediate supervisor is involved in a significant fraud involving diverting of company assets to personal use.

Briefly describe the steps you might take to resolve this dilemma. Answer:

The management accountant should first consult any internal company procedures concerning the resolution of ethical issues, and make sure these procedures are followed as closely as possible. At the same time, the management accountant should make sure that the facts are accurate, and are not based on rumors or inaccurate information.

If these policies do not resolve the situation, present the facts to the next higher managerial level. Clarify the relevant ethical issues with an objective advisor (e. g. , Institute of Management Accountants hotline). Consult your own attorney to be aware of your own rights and responsibilities. If all internal review procedures have still not resolved the ethical situation, the managerial accountant might have to resign and write an informative letter to an appropriate representative of the organization, and perhaps notify other parties. Difficulty: 3Objective: 9Terms to Learn: professional ethics