

Managerial accounting question answers assignment

[Business](#)



Acquire goods at the start of the year, ship them to Japan, and sell them at the end of the year. The internal rate of return is 20 percent and it has a positive NP. B. Make certain expenditures today that will cause reported earnings for the year to decline. This will result in large cash flows at the end of the second and third years. The internal rate of return on this project is 30 percent and it has a larger NP than the first project. Management observes that for the current year the second project will result in smaller earnings reported to warehouses than the first.

How might management's observation influence its choice between the two investment projects? NAS: Sometimes, because of the conservatism of financial accounting, expenditures that are "investments" are not capitalized, but are written off currently, depressing current earnings but boosting future earnings. Such a phenomenon may well influence management to prefer projects with short-term benefits at the cost of ignoring longer-term projects with even larger benefits but which take more time to benefit reported earnings. 3. The legible budget is a poor benchmark.

The master budget is all that is necessary. Give me your thoughts on these statements. The flexible budget and master budget serve two different purposes. The master budget is a planning device, while the flexible budget is a control device. The master budget is the benchmark, or goal, based on all the information available at the time of preparation. It gives the profit goal for the upcoming period, based on an estimated level of activity.

Although the firm may aim for that estimated level of activity, it may achieve above or below it.