Managerial accounting question answers

Business, Accounting

" If an investment does not fit with an organization's strategic plan, It Is probably not a good Idea, even If the net present value Is positive. " Under what conditions would this be a true statement? When would It be false? The statement is generally true. Investments should be made that are consistent with the company's strategy. Sometimes a deal comes along that is too good to pass up. In such a case, a company might depart from its strategic plan (or revise the plan to accommodate the investment) 2.

A film with an opportunity cost of capital of 15 percent faces two mutually exclusive investment projects: a. 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 reject will result in smaller earnings reported to shareholders than the first. How might management'sobservationinfluence 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. . The

flexible budget is a poor benchmark. The master budget Is all that is necessary. Give me your thoughts on these two 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. The flexible budget is then used to determine what revenues and costs should have been, given the actual activity level attained for the period.

The use off flexible budget allows managers to separate volume variances from those due to differences in unit selling prices, unit variable costs, and fixed costs from the master budget. 4. Multi-Nationals around the world use master budgets, but there is considerable variation in who is involved in the process. In some countries, companies frequently use top-down budgeting while others use participative budgeting. Why it Is Important to know who within each company is