

Student name: _____

Managers carry out three major activities: planning, implementation, and control.

true

false

The theory of constraint (TOC) framework focuses on effectively managing constraints as the key to success.

true

false

Managerial Accounting reports are prepared for external users while Financial Accounting reports are prepared for internal users.

true

false

Merchandising firms largely refer to retail and wholesale outlets that buy goods from suppliers and resell them to customers.

true

false

Merchandising and manufacturing firms generate revenue by selling products.

true

false

Service firms do not sell any products but generate revenues by offering one or more types of services.

true

false

Managers assign tasks to employees, arbitrate disputes, answer questions, solve on the spot problems, and make many decisions that affect customers and employees, which in turn, will likely influence future financial and nonfinancial performance.

true

false

Planning involves selecting a course of action and specifying how the action will be implemented.

true

false

Control involves the process of instituting procedures and then obtaining feedback to ensure that all parts of the organization are functioning effectively and moving toward overall company goals.

true

false

Strategy pertains to the general direction in which an organization plans to move to achieve its goals and objectives.

true

false

Management accountants are not required to follow the generally accepted accounting principles that are used for external financial reporting when preparing reports for internal users.

true

false

Management accounting information is primarily concerned with reports on the organization while financial accounting focuses more on the individual segments of the organization.

true

false

The Code of Ethics for Professional Accountants established by the International Federation of Accountants governs only the activities of accountants in public practice.

true

false

Performance reports provide formal feedback to assist in determining whether operations and performance are on track.

true

false

Planning includes identifying alternatives and then selecting the one that does the best job of furthering the organization's objectives.

true

false

Reduction in tariffs, quotas, and other barriers to free trade; improvements in global transportation system; and increasing sophistication in international trade markets, are several factors that have led to an increase in worldwide competition in many industries.

true

false

One major implication of globalization for many organizations is that they must find new ways of conducting business.

true

false

The main idea underlying the lean business model is the elimination of waste.

true

false

Companies that use the just-in-time (JIT) approach purchase materials and produce units only as needed to meet actual customer demand.

true

false

Among other things, companies using the just-in-time (JIT) approach, produce only in response to a customer order meaning that workers will not be idle whenever demand falls below the company's production capacity.

true

false

Defects can be tolerated in a just-in-time (JIT) system.

true

false

There are two major characteristics of total quality management.

true

false

Many Canadian organizations have successfully implemented quality management principles and have received recognition from Excellence Canada.

true

false

Process reengineering diagrams a business process in detail, questions it, and then completely redesigns it to eliminate unnecessary steps, reduce opportunities for errors, and reduce costs.

true

false

Process reengineering is usually strongly accepted by all employees within an organization.

true

false

Effective corporate governance enhances stakeholders' confidence that an organization is being managed in their best interests rather than solely in the interests of top management and certain key individuals.

true

false

Codes of ethics almost always provide employees with very specific and detailed instructions about what they can do and not do.

true

false

The PDCA Cycle is a system of continuous improvement in which a planning committee selects from a list of alternatives for improvement and moves to fully implement immediately the chosen improvement.

true

false

The control phase includes preparing budgets for the upcoming period.

true

false

The planning phase includes preparing budgets for the upcoming period.

true

false

The control phase includes analyzing actual results, comparing to the budget and identifying why differences occurred.

true

false

The implementation phase includes analyzing actual results, comparing to the budget and identifying why differences occurred.

true

false

Merchandising firms buy and sell finished goods whereas manufacturing firms make their products and then sell them to retailers.

true

false

Financial accounting is primarily concerned with:

reporting to external investors and creditors.

long term decision making.

feasibility analysis.

reporting exclusively to internal users.

Managerial accounting emphasizes the future in addition to historical reports, whereas financial accounting:

emphasizes a future perspective.

emphasizes individual organizational units.

emphasizes timeliness.

emphasizes a historical perspective.

In order to eliminate waste, companies must adopt and implement one or more management practices that focus on different aspects of the lean business model such as:

Just-in-Time.

maintaining inventories large enough to shield against all unanticipated disruptions.

Activity-Based Costing.

multi-dimensional performance measurement systems.

Companies using the just-in-time (JIT) approach hope to achieve:

the hiring of specialized workers to increase production.

gains in production flexibility.

reduction of costs associated with setup by producing in large batches.

reduced defect rates, resulting in less waste and greater customer satisfaction.

Which of the following is NOT a benefit of a just-in-time (JIT) system?

Funds that have been tied up in inventories can be used elsewhere.

Areas previously used to store inventories are made available for other more productive uses.

The time required to fill an order is reduced, resulting in quicker response to customers and consequentially greater potential sales.

Production workers are always busy.

Which of the following is a benefit of a just-in-time (JIT) system?

Funds that have been tied up in inventories can be used elsewhere.

Scrap costs are reduced.

Fewer field warranty visits are required.

Production workers are always busy.

In using total quality management (TQM), the key focus is:

employee focus.

management focus.

customer focus.

executive focus.

What is the professional designation for most professional accountants in Canada?

Chartered Professional Accountants

Chartered Management Accountants

Chartered Certified Accountants

Certified Public Accountants

Corporate governance:

is a department within Canada Revenue with a mandate to ensure all corporations file annual tax returns.

if effective, should enhance stakeholders' confidence that the organization is being managed in their best interests.

ensures the personal interests of top management are fully achieved.

is only important to non-publicly traded companies.

Benchmarking begins with:

completely redesigning a business process to improve it.

determining the constraints within a given manufacturing process.

studying organizations that are the best at a task.

a determination to only build products to meet specific customer orders.

Activities that do not add value to a product or service that customers are willing to pay for are:

normal business activities.

non-value-added activities.

part of the overhead costs of a business.

a constraint.

A manufacturing business which operates five days per week has four different departments involved in producing each unit of its product. Maximum daily production capacities of each are: Department A – 120 units; Department B – 100 units; Department C – 80 units, and Department D – 140 units.

Maximum weekly output of completed units is?

400

475

550

675

The management cycle proceeds in what order?

Control, implementation, planning

Planning, implementation, control

Implementation, planning, control

Implementation, control, planning

A manufacturing business has four different departments involved in producing each unit of its product. Maximum daily production capacities of each are:

Department A – 60 units; Department B - 125 units; Department C - 100 units, and Department D - 115 units.

Which department would be considered first in looking at ways to improve output capacity?

A

B

C

D

Alternative A - increase Department B's output to 210 units per day.

Alternative B - increase Department C's output to 115 units per day.

Alternative C - increase both Department A's and Department C's outputs to 125 units per day.

Alternative D - increase Department D's output to 200 units per day.

Assuming the costs of each alternative are similar and that only one can be chosen, which alternative would yield the best results for the business?

A

B

C

D

Which of the following statements is **NOT** true?

Managerial accounting has a strong orientation towards the future

Financial accounting, due to the requirements of regulation, is mandatory for businesses.

Financial accounting and managerial accounting are independent of each other.

Financial accounting presents a historical perspective of business activities.

Managerial accounting is regulated by:

GAAP.

No prescribed standards are followed.

ASPE.

IFRS

A manufacturing company has implemented just in time (JIT) into their process. JIT is part of:

- the lean business model.
- process re-engineering.
- total quality management
- the theory of constraints.

The implementation phase includes all these activities EXCEPT:

- making Short-term and Long-term decisions.
- selecting a course of action.
- assign tasks to employees
- solve on-the-spot problems

Which of the following would be an implementation activity?

- Hiring replacement employees.
- Developing a new budget
- Variance analysis
- Developing the strategic plan

The planning phase includes all these activities EXCEPT:

- organizing and allocating resources.
- selecting a course of action.
- identifying alternatives
- preparing budgets.

A cost report which focuses on a 10% reduction of costs in the upcoming period is an example of:

- a company's vision
- a company's mission
- a company's strategy
- a company's objectives.

Which of the following is not an implication of globalization?

- New strategies
- New managerial and operational practices
- Hiring a new CEO from a foreign country
- Sophisticated managerial accounting systems

In the Plan-Do-Check-Act Cycle, which of the following is NOT a part of the 'plan' phase?

- Collect data
- Evaluate data collected
- Analyze the data
- Develop a plan for improvement

Under the Corruption of Foreign Public Officials Act, which of the following is NOT prohibited?

- Offering gifts
- Offering payments
- Negotiating in good faith
- Offering benefits to foreign officials

Which of the following is NOT a concept related to Managerial Accounting?

Strategic Cost Management (SCM)

Balanced Scorecard (BSC)

Percentage of Completion method for revenue recognition

Activity Based Budgeting (ABB)

Process re-engineering does NOT involve which one of the following?

Tweaking an existing process

Focus on simplification

Elimination of wasted effort

Elimination of non-value-added activities

List four major potential benefits of successfully implementing a just-in-time (JIT) system in a manufacturing company.

List seven key differences between Managerial Accounting and Financial Accounting.

Describe factors that have led to an increase in worldwide competitiveness as part of the globalization on business.

Explain the lean business model and its corresponding management practices and potential benefits.

Explain the importance of ethical responsibility and explain the need for ethical codes of conduct.

List four management practices (programs of continuous improvement) that may be used to achieve the objectives of the lean business model.

Determine if the following is an emphasis of managerial (M) or Financial (F) accounting:

1. Estimating the amount of materials needed for next month's production.
2. Information in reports focuses on objectivity and verifiability.
3. Reports follow GAAP or IFRS.
4. Precise information that is more readily available is included in reports.
5. The focus and reporting emphasize segments of an organization.
6. Organizations may follow their own guidelines for reports generated.

Classify the following activities as planning (P), implementation (I), or control (C).

1. Estimating the number of units that will be sold in the upcoming quarter.
2. Assigning production line workers to stations in the production plant.
3. Choosing between manual labor or purchasing a machine that will automate the production process.
4. Preparing a performance report which compares actual sales to budgeted sales for the last month.
5. Solving a bottleneck issue in the production plant by moving one production line worker from station 2 to station 5 on the production line.
6. Negotiating discounts with suppliers for materials needed in the production process.

Answer Key

Test name: Ch1_Introduction to Managerial Accounting_7e

TRUE

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B

A

A

A

C

B

C

C

A

Short Answer

Short Answer

Short Answer

Short Answer

Short Answer

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