

Student name: _____

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

Two things that all organizations have in common are a set of goals and information needed by managers.

true

false

The role of managerial accounting in organizations is the same as it has been over many years.

true

false

Controlling involves the coordination of daily business functions within an organization.

true

false

Decision making requires managers to choose among the available alternatives.

true

false

Legitimate ethical issues rarely impact the managerial accountant.

true

false

In most situations, managerial accounting reports solve decision problems.

true

false

The process of making sense of big data is known as data practice.

true

false

Measuring the performance of managers and subunits is **not** an objective of managerial accounting.

true

false

The nature of managerial accounting reports is to focus on the enterprise in its entirety.

true

false

Line positions are indirectly involved in operational activities.

true

false

The position of chief financial officer (CFO) is typically a staff position.

true

false

If a company has poor data governance practices, managers would have to worry that the managerial accounting data they receive is not what they need for their decisions, or that it would arrive too late or be inaccurate.

true

false

All companies define the value chain in the same way.

true

false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

The value chain is a managerial accounting tool that primarily performs which of the following:

- assists with asset-liability management.
- assists with creation of internal controls.
- assists in the valuation of assets.
- assists in compliance procedures.
- none of the answers are correct.

Which of the following typically is responsible for raising capital and safeguarding the organization's assets.

- Treasurer.
- Internal Auditor.
- Administrative Assistant.
- Board of Directors.
- External Auditor.

The upper limit on the production of goods and services if everything works perfectly is known as:

- eutopia capacity.
- relevant capacity.
- practical capacity.
- theoretical capacity.
- none of the answers are correct.

Which costs are the costs of activities that can be eliminated with no deterioration of product quality, performance, or perceived value?

- Temporary

Non-value added

Permanent

Cyclical

Value Added

Which role is normally involved with preparing financial statements?

Architect

Chief Operating Officer

Internal Auditor

Controller

Store Manager

Which of the following would likely be considered internal users of accounting information rather than external users?

Middle-level Managers

Creditors

Competitors

Regulators

Customers

Which of the following is the largest managerial accounting professional association in the U.S.?

American Institute of Certified Public Accountants

Financial Accounting Standards Board

Chartered Institute of Management Accountants

Government Accounting Standards Board

Institute of Management Accountants

Which of the following is a professional certification that managerial accountants can earn to validate their skills and the specialized knowledge that they possess?

CPA

CMA

COO

CIA

CFO

All financial professionals, including managerial accountants, have an obligation to themselves, their colleagues, and their organizations to:

adhere to low standards of ethical conduct.

adhere to some standards of ethical conduct.

follow most compliance regulations.

adhere to high standards of ethical conduct.

none of the answers are correct.

Which of the following is an important managerial accounting tool for long-run competitiveness?

Balanced scorecard

Managerial scorecard

Financial scorecard

Objective scorecard

Subjective scorecard

Which of the following statements about managerial accountants is **false**?

Managerial accountants more and more are considered "business partners"

Managerial accountants often are part of cross-functional teams

An increasing number of organizations are segregating managerial accountants in separate managerial-accounting departments

In a number of companies, managerial accountants make significant business decisions and resolve operating problems

The role of managerial accountants has changed considerably over the past decade

Which of the following is **not** an action performed in combination with information to pursue the goals of managerial accounting?

Identify

Measure

Invent

Interpret

Analyze

Which of the following is correct regarding the changing role of managerial accounting?

The managerial accountant is crunching more numbers than ever before in leading-edge companies

The managerial accountant has been transformed into a financial historian in progressive companies

Managerial accountants are typically isolated in separate departments

Forward-looking goals have transformed managerial accountants into business advisors

Managerial accountants rarely have the title of analyst or take on leadership roles

Which of these statements best describe managerial accountants from years ago?

They carried the job title of 'analysts'

They were isolated into separate departments

They were located in operating departments and worked with other managers

They often took on leadership roles

They worked in teams

Transformation of the managerial accountant role within modern companies has been:

from analyst to number cruncher.

from number cruncher to trusted advisor.

from team leader to support department employee.

from business partner to financial historian.

from value creator to number cruncher.

The day-to-day work of management teams will typically comprise all of the following activities **except**:

decision making.

planning.

cost minimizing .

directing operational activities.

controlling.

Which of the following functions is best described as choosing among available alternatives?

Decision making

Planning

Directing operational activities

Controlling

Budgeting

Which of the following managerial functions involve a detailed financial and operational description of anticipated operations?

Decision making

Planning

Directing operational activities

Controlling

Measuring

Which of the following involves the coordination of daily business functions within an organization?

Decision making

Planning

Directing operational activities

Controlling

Motivating

A company is taking action to reduce overhead, which have exceeded budgeted amounts. Which of the following functions best describes this process?

Decision making

Planning

Coordinating

Controlling

Organizing

In pursuing its goals, an organization does all of the following **except**:

acquire resources.

hire personnel.

engage in an organized set of activities.

focus on reducing the budget.

engage in management team activities to make the best use of resources and people.

Which of the following business models considers financial, customer, internal operating, and other measures in the evaluation of performance?

Deterministic simulation

Balanced scorecard

Payoff matrix

Decision tree

Chart of operating performance (COP)

Which of the following perspectives is normally absent in a balanced scorecard?

Financial

Customer

Internal operations

Learning and innovation/growth

None of the answers are correct

Which one of these is **not** one of the five supporting objectives of managerial accounting?

Provide information for decision making and planning

Assist managers in directing and controlling operational activities

Motivate managers and other employees toward the organization's goals

Assess an organization's competitive position and long-term managerial efforts

Focus on activities that occur at the top level of the organization

What function does a managerial accountant use to assist managers in understanding issues contained within the information produced?

Internal business solution function

Learning and growth function

Theoretical capacity function

Customer function

Attention directing function

Which of the following is **not** an objective of managerial accounting?

Providing information for decision making and planning

Assisting in directing and controlling operations

Maximizing profits and minimizing costs

Measuring the performance of managers and subunits

Motivating managers toward the organization's goals

The role of managerial accounting information in assisting management is a(n):

financial-directing role.

attention-directing role.

planning and controlling role.

organizational role.

problem-solving role.

Employee empowerment involves encouraging and authorizing workers to take initiatives to:

improve operations.

reduce costs.

improve product quality.

improve customer service.

all of the answers are correct.

The process of encouraging and authorizing workers to take appropriate initiatives to improve the overall firm is commonly known as:

planning and control.

employee empowerment.

personnel aggressiveness.

decision making.

problem recognition and solution.

Managerial accounting:

focuses only on historical data.

is governed by GAAP.

focuses primarily on the needs of personnel within the organization.

provides information for parties external to the organization.

focuses on financial statements and other financial reports.

Managerial accounting:

is unregulated.

produces information that is useful only for manufacturing organizations.

is based exclusively on historical data.

is regulated by the Securities and Exchange Commission (SEC).

generally focuses on reporting information about the enterprise in its entirety rather than by subunits.

All of the following entities would have a need for managerial accounting information **except**:
the state of Wisconsin.

an Internet provider.

a retail clothing outlet.

a bookkeeping service.

none of these responses is correct, as all of these entities would use managerial accounting information.

Which of the following companies would have a need for managerial accounting?

Creek Company and Tech University only

Creek Company and Carson Incorporated only

Creek Company, Tech University, and Carson Incorporated

Tech University only

Tech University and Carson Incorporated only

Which of the following would likely be considered an internal user of accounting information rather than an external user?

Stockholders

Consumer groups

Lenders

Middle-level managers

Government agencies

Financial accounting focuses primarily on reporting:

to parties outside of an organization.

to parties within an organization.

to an organization's board of directors.

to financial institutions.

for financial institutions.

Which of the following relates more to managerial accounting than to financial accounting?

A focus on reporting to personnel within an organization

A focus on reporting to external parties

An area of accounting that is heavily regulated

A focus on providing information that is relevant for planning, decision making, directing, and control

A focus on reporting to personnel within an organization and a focus on providing information that is relevant for planning, decision making, directing, and control

Which of the following statements represents a similarity between financial and managerial accounting?

Both are useful in providing information for external users

Both are governed by GAAP

Both draw upon data from an organization's accounting system

Both rely heavily on published financial statements

Both are solely concerned with historical transactions

Which of the following employees at Smooth Flights would **not** be considered as holding a line position?

Pilot

Chief financial officer (CFO)

Flight attendant

Ticket agent

Baggage handler

Which of the following employees would be considered as holding a line position?

Townhouse Corporation's vice-president for government relations

The controller of Margin Motors

A secretary employed by Signal Communications

The manager of food and beverage services at a theme park

None of the answers is correct

Which of the following employees at Little Lost Creek Company would likely be considered as holding a staff position?

The company's chief operating officer (COO)

The manager of a store located in Helena, Montana

The company's manager of the Northern division

The company's president of products nationwide

The company's lead, in-house attorney and the company's chief financial officer (CFO)

The chief managerial and financial accountant of an organization is the:

chief executive officer (CEO).

treasurer.

vice-president of accounting.

internal auditor.

chief financial officer (CFO).

A company's leading executive is:

chief financial officer (CFO).

treasurer.

vice-president of accounting.

internal auditor.

chief executive officer (CEO).

Managers directly involved in the provision of goods and services are:

staff positions.

line positions.

general counsel positions.

human resource positions.

none of these is correct.

Managerial accountants:

often work with regulators like the SEC.

are responsible for issuing a company's annual financial statements.

are found primarily at lower levels of the organizational hierarchy.

are found primarily at higher levels of the organizational hierarchy.

often work on cross-functional teams and are located throughout an organization.

All of the following are common reasons for forming cross-functional teams **except**:

to make decisions.

to engage in planning exercises.

to address operational problems from many perspectives.

to pull together individuals from a variety of specialties.

to minimize physical location requirements that a company occupies.

Managerial accountants are most likely found in cross-functional teams with personnel having a background in:

commercial art.

real estate.

marketing.

finance.

communications.

Which of the following typically does **not** relate to the role of a controller?

A controller supervises the accounting department

A controller safeguards an organization's assets

A controller oversees the preparation of reports required by governmental authorities

A controller normally assumes a narrow role within the organization, often preventing the individual's rise to top management ranks

A controller safeguards an organization's assets and a controller normally assumes a narrow role within the organization, often preventing the individual's rise to top management ranks

A controller is normally involved with:

preparing financial statements.

managing investments.

raising capital.

safeguarding assets.

managing the firm's credit policy.

Which of the following is **not** a function of the treasurer?

Safeguarding assets

Managing investments

Preparing financial statements

Being responsible for an entity's credit policy

Raising capital

For a company to achieve a sustainable competitive advantage, it must:

perform one or more activities in the value chain at the same quality level and lower cost than its competitors.

perform all activities in the value chain at the same quality level and lower cost than its competitors.

perform its value chain activities at a higher quality level and higher cost than one of its competitors.

perform its value chain activities at lower quality and higher cost than its competitors.

None of the answers are correct.

Which of the following would **not** be part of a value chain for a fast-food restaurant?

Buying produce

Mopping the floor

Refilling the napkin dispensers

Hiring new cooks

All of the choices are a part of the value chain

A restaurant's value chain includes:

supplier development.

upstream contributors.

downstream contributors.

management of inventory.

all of these are included in the value chain.

Which of the following choices correctly identifies activities that would be included in a manufacturer's value chain?

Research and Development, Marketing

Research and Development, Distribution

Research and Development, Marketing, and Distribution

Marketing

Marketing and Distribution

The answer that best describes strategic cost management is:

the process of determining cost drivers.

the recognition of the importance of cost relationships among the activities in the value chain.

the process of managing cost relationships to the firm's advantage.

cost-causing factors.

the recognition of the importance of cost relationships among the activities in the value chain and
the process of managing cost relationships to the firm's advantage.

Which of these activities would likely **not** be considered part of Eastern Clothing Company's value chain?

Designing a new product line

Locating and then negotiating terms with a clothing manufacturer

Marketing an existing product line

Distributing goods from regional warehouses to local stores

All of these activities would be an element in the company's value chain

Select the best answer. In order for a company to achieve a sustainable competitive advantage, it must perform value chain activities:

at the same quality level as competitors at the same cost.

at the same quality level as competitors but at a lower cost.

at a higher quality level than competitors at a higher cost.

at a higher quality level than competitors but at no greater cost.

at the same quality level as competitors but at a lower cost, or it must perform at a higher quality level than competitors but at no greater cost.

The process of managing the various activities in the value chain, along with the associated costs, is commonly known as:

activity-based costing.

strategic cost management.

total quality management.

computer-integrated costing.

sound management practices (SMP).

A manufacturer's value chain would tend to include activities related to:

manufacturing.

research and development.

product design.

marketing.

all of the answers are correct.

Cost management systems tend to focus on an organization's:

machines.

employees.

activities.

customers.

rules and regulations.

The upper limit on the production of goods and services if everything works perfectly is known as:

practical capacity.

theoretical capacity.

utilized capacity.

management capacity.

capacity maximization.

The capacity concept that allows for normal occurrences such as machine downtime and employee fatigue is known as:

practical capacity.

theoretical capacity.

utilized capacity.

management capacity.

capacity maximization.

The cost of resources supplied but unused is known as:

practical capacity costs.

the cost of theoretical capacity.

the cost of unused capacity.

the cost of resources supplied.

capacity cost.

Given the following information, what is the total cost of unused capacity? Cost of material supplied is \$3,900; Cost of material used is \$3,500; Cost of material used per cake is \$3.5; Cost of material supplied per cake is \$3.90.

\$0.40.

\$400.

\$4,000.

\$2,000.

There is no unused capacity.

Given the following information, what is the total cost of unused capacity? Cost of material supplied is \$3,200; Cost of material used is \$3,000; Cost of material used per cake is \$3; Cost of material supplied per cake is \$3.20.

\$0.20.

\$200.

\$2,000.

\$1,000.

There is no unused capacity.

Given the following information, what is the cost of unused capacity? Cost of material supplied is \$9,300; Cost of material used is \$9,000; Cost of material used per shelf is \$9.0; Cost of material supplied per shelf is \$9.30.

\$300.

\$3,000.

\$0.30.

\$10,000.

There is no unused capacity.

Given the following information, what is the cost of unused capacity? Cost of material supplied is \$8,600; Cost of material used is \$8,000; Cost of material used per shelf is \$8; Cost of material supplied per shelf is \$8.60.

\$600.

\$6,000.

\$0.60.

\$1,000.

There is no unused capacity.

What is the most important factor that has allowed companies to move from recording data to analyze it in order to gain significant insight into the entire value chain of an organization?

Relaxed data privacy laws

The increase in cell phones

Powerful, low-cost technology

Cross-functional teams

Low-cost nuclear power

An organization's vast amount of data generated along with supplemental data that can provide context for the internal data is known together as:

big data.

data governance.

data analytics.

data science.

data estimation.

Data science draws on what to transform large volumes of data into information?

Techniques from mathematics, probability, statistics, and computer science

Techniques from military science and management principles

Techniques from architecture and materials science

Techniques from mergers and acquisitions

Techniques from tax regulations and the law

Data science is often practiced by specialists, who use powerful software tools such as:

Tableau and RStudio.

Playstation and Chrome.

Unix and Basic.

QuickBooks and Microsoft Word.

Microsoft Power Point and Quicken.

Data analytics are particularly important to the managerial accountant in what two areas?

Budgeting and planning

Cost behavior and cost estimation

Variance analysis and planning

Balanced scorecard perspectives and planning

Direct cost and direct labor

The primary design of the CPA designation is to:

focus on practices in accounting and finance within the company.

to ensure competence of managerial accountants throughout Europe.

to ensure higher wages for accountants within companies.

to increase membership by academics and senior financial executives.

assure the competence of those working outside companies and the reliability of public company reports.

The largest professional association for management accountants in the U.S. is:

the American Institute of Certified Public Accountants.

the Institute of Management Accountants (IMA).

the Chartered Institute of Management Accountants.

the Financial Executives International (FEI).

the Association for Chartered Global Management Accountants.

Criticisms leveled at the audit firm, Arthur Andersen, in its original conviction after the 2001 Enron scandal led Congress to pass:

the 2002 Ethical Conflicts Act.

the Sarbanes-Oxley Act of 2002.

the Institute of Management Accountants' Trust and Confidence Act.

the Restitution and Penalties Act.

the Institute of Management Accountants' Statement of Ethical Professional Practice.

Which of the following can be linked to a wave of corporate scandals that took place in recent past?

Greedy corporate executives

Managers who made over-reaching business deals

Lack of oversight by companies' audit boards and boards of directors

Shoddy work by external auditors

All of these choices are correct

Which of the following acts strives to improve corporate governance and the quality of corporate accounting/reporting?

Robinson-Patman

Taft-Hartley

Sarbanes-Oxley

Clinton-Gore

Arthur-Andersen

When ethical lapses such as the 2015 incident with Volkswagen happen, what is lost?

Trust of society

Confidence of shareholders, employees, suppliers, and customers

Market valuation

Reputation of the ethically challenged company

All of these choices are correct

Which of the following is **not** an ethical standard of managerial accounting?

Competence

Confidentiality

Efficiency

Integrity

Credibility

Which of the following is **not** an element of competency?

To develop appropriate knowledge about a particular subject

To perform duties in accordance with relevant laws

To perform duties in accordance with relevant technical standards

To refrain from engaging in an activity that would discredit the accounting profession

To prepare clear reports after an analysis of relevant and reliable information

Assume that a managerial accountant regularly communicates with business associates to avoid conflicts of interest and advises relevant parties of potential conflicts. The accountant will have applied the ethical standard of:

objectivity.

confidentiality.

integrity.

credibility.

unified behavior.

Answer Key

Test name: ch1 Managerial Accounting e13

TRUE

FALSE

FALSE

TRUE

FALSE

FALSE

FALSE

FALSE

FALSE

FALSE

TRUE

TRUE

FALSE

C

The value chain is a set of linked, value-creating activities, ranging from securing basic raw materials and energy to the ultimate delivery of products and services.

A

It is the treasurer that typically raises capital and safeguards the organizational assets.

D

Theoretical capacity is the upper limit on production.

B

Managers work to eliminate non-value-added costs since they do not affect performance.

D

A controller is typically involved in the process to prepare financial statements.

A

Middle-level managers are generally considered internal users of accounting information.

E

The largest managerial accounting professional association in the United States is the Institute of Management Accountants.

B

The CMA is a professional certification for managerial accountants.

D

Ethical conduct standards are important to maintain the integrity for all financial professionals.

A

The balanced scorecard is an important managerial accounting tool for long-run competitiveness.

C

Managerial accountants are increasingly integrated into all aspects of an organization.

C

The inaccurate action in this list is invent.

D

The role of managerial accountants is to become more like business advisors and incorporate forward-looking goals.

B

Managerial accountants of the past were isolated into separate departments.

B

Managerial accountants in leading-edge companies have been transformed from number cruncher to trusted advisor.

C

Cost minimizing is not a typical activity for operational management teams.

A

This is a definition of decision making.

B

This is a definition for planning.

C

This is a definition for directing operational activities.

D

This function is controlling.

D

A focus on reducing the budget is typically not part of pursuing organizational goals.

B

A balanced scorecard is a business model that considers multiple measures for performance.

E

All of these perspectives are included in the balanced scorecard.

E

A focus on activities that occur at the top organizational level is not a supporting objective.

E

Attention directing is a function used to assist managers.

C

Maximizing profits and minimizing costs is not an objective of managerial accounting.

B

The role of managerial accounting information in assisting management is an attention-directing role.

E

Employee empowerment includes all of the initiatives listed.

B

This is the definition for employee empowerment.

C

Managerial accounting focuses primarily on the needs of personnel within the organization.

A

Managerial accounting is unregulated.

E

All of these entities use managerial accounting information, so none of these responses is correct.

C

All three of these organizations have a need for managerial accounting.

D

Middle-level managers would likely be considered an internal user of accounting information.

A

Financial accounting focuses primarily on reporting to parties outside of an organization.

E

Managerial accounting is more related than financial accounting to a focus on reporting to personnel within an organization, as well as providing information for planning, decision making, directing, and control.

C

Both financial and managerial accounting draw upon data from an organization's accounting system.

B

A CFO would not be considered a line position.

D

The manager of food and beverage services at a theme park would be considered a line position.

E

Both of these are staff positions.

E

The CFO is the chief managerial and financial accountant of an organization.

E

The CEO is a company's leading executive.

B

Managers directly involved in the provision of goods and services are line positions.

E

Managerial accountants often work on cross-functional teams and are located throughout an organization.

E

Cross-functional teams typically are not formed to minimize physical location requirements.

D

Within cross-functional teams, managerial accountants are most often found with finance personnel.

E

A controller safeguards an organization's assets and a controller normally assumes a narrow role within the organization, often preventing the individual's rise to top management ranks both typically do not relate to the role of a controller.

A

A controller is normally involved with preparing financial statements.

C

Preparing financial statements is not a typical treasurer's function.

A

In order for a company to achieve a sustainable competitive advantage it must perform one or more activities in the value chain at the same quality level as its competitors, but at a lower cost.

E

All of these activities would be part of a value chain for a fast food restaurant.

E

All of these are included in the value chain.

C

All of these activities would be included in the value chain.

E

E

All of the activities listed are included in the Forte's value chain.

E

B

This is a correct definition for strategic cost management.

E

The value chain of a manufacturer would include all of the activities listed.

C

Cost management systems focus on activities.

B

Theoretical capacity is the upper limit of production, if everything works perfectly.

A

Practical capacity allows for normal occurrences such as downtime and fatigue.

C

This is the definition of the cost of unused capacity.

B

Cost supplied – Cost used = Cost of unused capacity; $\$3,900 - 3,500 = \400 .

B

Cost supplied – Cost used = Cost of unused capacity; $\$3,200 - 3,000 = \200 .

A

Cost supplied – Cost used = Cost of unused capacity; $\$9,300 - 9,000 = \300 .

A

Cost supplied – Cost used = Cost of unused capacity; $\$8,600 - 8,000 = \600 .

C

Powerful and relatively low-cost technology has allowed companies to put their data to work in understanding the value chain.

A

This is the definition of big data.

A

Data science draws on techniques from mathematics, probability, statistics and computer science to transform large volumes of data into information.

A

Tableau and RStudio are commonly used by data science specialists.

B

Data analytics are particularly important to the managerial accountant in the areas of cost estimation and cost behavior.

E

CPA designation allows assurance of competence outside companies, as well as the reliability of public company reports.

B

The IMA is the largest professional organization for management accountants in the U.S.

B

The Enron scandal spawned the creation of the Sarbanes-Oxley Act of 2002.

E

All of these factors are linked to the corporate scandals.

C

Corporate governance and the quality of corporate accounting and reporting are the focus of the Sarbanes-Oxley Act.

E

Not only is unethical behavior in business wrong in a moral sense, and damaging to individual organizations, but it also can be disastrous from the standpoint of the economy.

C

Efficiency is not an ethical standard of managerial accounting.

D

Refraining from activity that would discredit the accounting profession is not an element of competency.

C

The accountant applied the ethical standard of integrity.