

Name _____

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

1) Which of the following is NOT included in Codes of Ethics for professional accountants? 1) _____

- A) Professional competence B) Confidentiality
C) Objectivity D) Compensation

Answer: D

Explanation: A)
 B)
 C)
 D)

2) Which of the following statements is not true? 2) _____

- A) Managerial accounting has a strong orientation towards the future.
B) Financial accounting, due to the requirements of regulation, is mandatory for businesses.
C) Financial accounting and managerial accounting are independent of each other.
D) Financial accounting presents a historical perspective of business activities.

Answer: C

Explanation: A)
 B)
 C)
 D)

3) 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 - 100 units; Department B - 135 units; Department C - 95 units, and Department D - 110 units. Maximum weekly output of completed units is? 3) _____

- A) 475 B) 675 C) 550 D) 440

Answer: A

Explanation: A)
 B)
 C)
 D)

4) The planning phase includes all of these activities EXCEPT: 4) _____

- A) selecting a course of action. B) preparing budgets.
C) organizing and allocating resources. D) identifying alternatives

Answer: C

Explanation: A)
 B)
 C)
 D)

5) The implementation phase includes all of these activities EXCEPT:

5) _____

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

Answer: C

Explanation: A)
B)
C)
D)

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

6) _____

- A) a constraint.
- B) part of the overhead costs of a business.
- C) normal business activities.
- D) non-value-added activities.

Answer: D

Explanation: A)
B)
C)
D)

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

7) _____

- A) total quality management
- B) the theory of constraints.
- C) process re-engineering.
- D) the lean business model.

Answer: D

Explanation: A)
B)
C)
D)

- 8) A manufacturing business has four different departments involved in producing each unit of its product. Maximum daily production capacities of each are: Department A - 100 units; Department B - 135 units; Department C - 95 units, and Department D - 110 units. A consultant has suggested some alternatives to increase output capacities as follows: 8) _____

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

Alternative B - increase Department C's output to 120 units per day.

Alternative C - increase both Department A's and Department C's outputs to 110 units per day.

Alternative D - increase Department D's output to 300 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) A

B) B

C) C

D) D

Answer: C

Explanation: A)
B)
C)
D)

- 9) What is the professional designation for the majority of professional accountants in Canada? 9) _____

A) Chartered Management Accountants

B) Certified Public Accountants

C) Chartered Professional Accountants

D) Chartered Certified Accountants

Answer: C

Explanation: A)
B)
C)
D)

- 10) A manufacturing business has four different departments involved in producing each unit of its product. Maximum daily production capacities of each are: Department A - 100 units; Department B - 135 units; Department C - 95 units, and Department D - 110 units. Which department would be considered first in looking at ways to improve output capacity? 10) _____

A) A

B) B

C) C

D) D

Answer: C

Explanation: A)
B)
C)
D)

- 11) Companies using the just-in-time (JIT) approach hope to achieve: 11) _____
- A) reduction of costs associated with setup by producing in large batches.
 - B) reduced defect rates, resulting in less waste and greater customer satisfaction.
 - C) gains in production flexibility.
 - D) the hiring of specialized workers to increase production.

Answer: B

Explanation: A)
B)
C)
D)

- 12) The management cycle proceeds in what order? 12) _____
- A) Planning, implementation, control
 - B) Control, implementation, planning
 - C) Implementation, planning, control
 - D) Implementation, control, planning

Answer: A

Explanation: A)
B)
C)
D)

- 13) In using total quality management (TQM), the key focus is: 13) _____
- A) customer focus.
 - B) executive focus.
 - C) employee focus.
 - D) management focus.

Answer: A

Explanation: A)
B)
C)
D)

- 14) Managerial accounting emphasizes the future in addition to historical reports, whereas financial accounting: 14) _____
- A) emphasizes a historical perspective.
 - B) emphasizes timeliness.
 - C) emphasizes a future perspective.
 - D) emphasizes individual organizational units.

Answer: A

Explanation: A)
B)
C)
D)

- 15) 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: 15) _____
- A) maintaining inventories large enough to shield against all unanticipated disruptions.
 - B) Just-in-Time.
 - C) Activity-Based Costing.
 - D) multi-dimensional performance measurement systems.

Answer: B

Explanation: A)
B)
C)
D)

- 16) Benchmarking begins with: 16) _____
- A) determining the constraints within a given manufacturing process.
 - B) completely redesigning a business process to improve it.
 - C) studying organizations that are the best at a particular task.
 - D) a determination to only build products to meet specific customer orders.

Answer: C

Explanation: A)
B)
C)
D)

- 17) Which of the following is NOT a benefit of a just-in-time (JIT) system? 17) _____
- A) Areas previously used to store inventories are made available for other more productive uses.
 - B) Funds that have been tied up in inventories can be used elsewhere.
 - C) The time required to fill an order is reduced, resulting in quicker response to customers and consequentially greater potential sales.
 - D) Production workers are always busy.

Answer: D

Explanation: A)
B)
C)
D)

- 18) A cost report which focuses on a 10% reduction of costs in the upcoming period is an example of: 18) _____
- A) a company's objectives.
 - B) a company's vision
 - C) a company's mission
 - D) a company's strategy

Answer: B

Explanation: A)
B)
C)
D)

19) Corporate governance:

19) _____

- A) if effective, should enhance stakeholders' confidence that the organization is being managed in their best interests.
- B) ensures the personal interests of top management are fully achieved.
- C) is only important to non-publicly traded companies.
- D) is a department within Canada Revenue with a mandate to ensure all corporations file annual tax returns.

Answer: A

Explanation: A)
B)
C)
D)

20) Financial accounting is primarily concerned with:

20) _____

- A) reporting exclusively to internal users.
- B) reporting to external investors and creditors.
- C) feasibility analysis.
- D) long term decision making.

Answer: B

Explanation: A)
B)
C)
D)

21) Managerial accounting is regulated by:

21) _____

- A) IFRS.
- B) GAAP.
- C) ASPE.
- D) no prescribed standards are followed.

Answer: D

Explanation: A)
B)
C)
D)

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

22) 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.

22) _____

Answer: ☒ True False

Explanation:

23) 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.

23) _____

Answer: ☒ True False

Explanation:

- 24) Managers everywhere carry out three major activities: planning, implementation, and control. 24) _____
Answer: ☒ True ☐ False
Explanation:
- 25) 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. 25) _____
Answer: ☒ True ☐ False
Explanation:
- 26) One major implication of globalization for many organizations is that they must find new ways of conducting business. 26) _____
Answer: ☒ True ☐ False
Explanation:
- 27) Process reengineering is usually strongly accepted by all employees within an organization. 27) _____
Answer: ☐ True ☒ False
Explanation:
- 28) The Code of Ethics for Professional Accountants established by the International Federation of Accountants governs only the activities of accountants in public practice. 28) _____
Answer: ☐ True ☒ False
Explanation:
- 29) Planning includes identifying alternatives and then selecting the one that does the best job of furthering the organization's objectives. 29) _____
Answer: ☒ True ☐ False
Explanation:
- 30) Merchandising firms buy and sell finished goods whereas manufacturing firms make their products and then sell them to retailers. 30) _____
Answer: ☒ True ☐ False
Explanation:
- 31) Managerial Accounting reports are prepared for external users while Financial Accounting reports are prepared for internal users. 31) _____
Answer: ☐ True ☒ False
Explanation:
- 32) 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. 32) _____
Answer: ☐ True ☒ False
Explanation:

- 33) Companies that use the just-in-time (JIT) approach purchase materials and produce units only as needed to meet actual customer demand. 33) _____
Answer: ☒ True ☐ False
Explanation:
- 34) 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. 34) _____
Answer: ☒ True ☐ False
Explanation:
- 35) Codes of ethics almost always provide employees with very specific and detailed instructions about what they can do and not do. 35) _____
Answer: ☐ True ☒ False
Explanation:
- 36) Strategy pertains to the general direction in which an organization plans to move to achieve its goals and objectives. 36) _____
Answer: ☒ True ☐ False
Explanation:
- 37) Merchandising and manufacturing firms generate revenue by selling products. 37) _____
Answer: ☒ True ☐ False
Explanation:
- 38) The control phase includes analysing actual results, comparing to the budget and identifying why differences occurred. 38) _____
Answer: ☒ True ☐ False
Explanation:
- 39) The main idea underlying the lean business model is the elimination of waste. 39) _____
Answer: ☒ True ☐ False
Explanation:
- 40) Service firms do not sell any products but generate revenues by offering one or more types of services. 40) _____
Answer: ☒ True ☐ False
Explanation:
- 41) Planning involves selecting a course of action and specifying how the action will be implemented. 41) _____
Answer: ☒ True ☐ False
Explanation:

- 42) Merchandising firms largely refer to retail and wholesale outlets that buy goods from suppliers and resell them to customers. 42) _____
Answer: ☒ True ☐ False
Explanation:
- 43) Defects can be tolerated in a just-in-time (JIT) system. 43) _____
Answer: ☐ True ☒ False
Explanation:
- 44) 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. 44) _____
Answer: ☐ True ☒ False
Explanation:
- 45) 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. 45) _____
Answer: ☒ True ☐ False
Explanation:
- 46) Many Canadian organizations have successfully implemented quality management principles and have received recognition from Excellence Canada (formerly the National Quality Institute) whose mission is to inspire excellence in Canada. 46) _____
Answer: ☒ True ☐ False
Explanation:
- 47) Management accounting information is primarily concerned with reports on the organization as a whole while financial accounting focuses more on the individual segments of the organization. 47) _____
Answer: ☐ True ☒ False
Explanation:
- 48) The theory of constraint (TOC) framework focuses on effectively managing constraints as the key to success. 48) _____
Answer: ☒ True ☐ False
Explanation:
- 49) Performance reports provide formal feedback to assist in determining whether operations and performance are on track. 49) _____
Answer: ☒ True ☐ False
Explanation:
- 50) There are four major characteristics of total quality management. 50) _____
Answer: ☐ True ☒ False
Explanation:

51) 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. 51) _____

Answer: ☒ True ☐ False

Explanation:

52) The control phase includes preparing budgets for the upcoming period. 52) _____

Answer: ☐ True ☒ False

Explanation:

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

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

Answer: Many businesses in order to remain competitive in the global market place, have adopted the lean business model which focuses on the elimination of waste. This consists of implementing management practices, such as just-in-time and total quality management, which if properly implemented can enhance quality, increase efficiencies, eliminate delays and reduce costs.

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

Answer: Unethical behaviour is often the result of top executives focusing exclusively on short-term profits at any cost. As businesses interact more and more, being ethically responsible is extremely important. Many organizations have implemented ethical codes of conduct to guide behaviour.

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

Answer: 1. just-in time.
2. total quality management.
3. process reengineering.
4. theory of constraints.

56) List seven key differences between Managerial Accounting and Financial Accounting.

Answer: 1. managerial accounting reports are prepared primarily for managers inside the organization, whereas financial accounting reports are typically prepared for the use of external parties, such as shareholders, creditors and regulatory bodies.
2. managerial accounting is not a mandatory requirement for businesses while financial accounting is.
3. managerial accounting is not regulated by prescribed standards or formats while financial accounting must follow prescribed accounting standards.
4. managerial accounting usually focuses on the parts or segments of an organization while financial accounting is primarily concerned with reporting the activities of the organization as a whole.
5. managerial accounting usually has a strong future orientation while financial accounting has historical perspective.
6. managerial accounting emphasizes obtaining data relevant to decision making while financial accounting emphasizes the verifiability of data.
7. managerial accounting requires information to be available on a timely basis while financial accounting, with its historical perspective, focuses on precision.

57) 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 emphasizes segments of an organization
6. Organizations may follow their own guidelines for reports generated.

Answer: 1. M
2. F
3. F
4. F
5. M
6. M

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

Answer: Reduction of tariffs, quotas, and other barriers to free trade; improvements in global transportation systems; and increasing sophistication in international trade markets. These factors help to reduce the costs of conducting international trade and make it possible for foreign companies to compete on a more equal footing with domestic firms.

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

- Answer:
1. substantial reduction in inventory ordering and warehousing costs.
 2. reduction in waste due to inventory obsolescence and pilferage.
 3. a commitment to zero defects.
 4. a reduction in time to complete a product.

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

1. Estimating the amount 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:
1. P
 2. I
 3. P
 4. C
 5. I
 6. I

Answer Key
Testname: C1

- 1) D
- 2) C
- 3) A
- 4) C
- 5) C
- 6) D
- 7) D
- 8) C
- 9) C
- 10) C
- 11) B
- 12) A
- 13) A
- 14) A
- 15) B
- 16) C
- 17) D
- 18) B
- 19) A
- 20) B
- 21) D
- 22) TRUE
- 23) TRUE
- 24) TRUE
- 25) TRUE
- 26) TRUE
- 27) FALSE
- 28) FALSE
- 29) TRUE
- 30) TRUE
- 31) FALSE
- 32) FALSE
- 33) TRUE
- 34) TRUE
- 35) FALSE
- 36) TRUE
- 37) TRUE
- 38) TRUE
- 39) TRUE
- 40) TRUE
- 41) TRUE
- 42) TRUE
- 43) FALSE
- 44) FALSE
- 45) TRUE
- 46) TRUE
- 47) FALSE
- 48) TRUE
- 49) TRUE
- 50) FALSE

- 51) TRUE
52) FALSE
- 53) Many businesses in order to remain competitive in the global market place, have adopted the lean business model which focuses on the elimination of waste. This consists of implementing management practices, such as just-in-time and total quality management, which if properly implemented can enhance quality, increase efficiencies, eliminate delays and reduce costs.
- 54) Unethical behaviour is often the result of top executives focusing exclusively on short-term profits at any cost. As businesses interact more and more, being ethically responsible is extremely important. Many organizations have implemented ethical codes of conduct to guide behaviour.
- 55) 1. just-in time.
2. total quality management.
3. process reengineering.
4. theory of constraints.
- 56) 1. managerial accounting reports are prepared primarily for managers inside the organization, whereas financial accounting reports are typically prepared for the use of external parties, such as shareholders, creditors and regulatory bodies.
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7. managerial accounting requires information to be available on a timely basis while financial accounting, with its historical perspective, focuses on precision.
- 57) 1. M
2. F
3. F
4. F
5. M
6. M
- 58) Reduction of tariffs, quotas, and other barriers to free trade; improvements in global transportation systems; and increasing sophistication in international trade markets. These factors help to reduce the costs of conducting international trade and make it possible for foreign companies to compete on a more equal footing with domestic firms.
- 59) 1. substantial reduction in inventory ordering and warehousing costs.
2. reduction in waste due to inventory obsolescence and pilferage.
3. a commitment to zero defects.
4. a reduction in time to complete a product.

Answer Key
Testname: C1

- 60) 1. P
2. I
3. P
4. C
5. I
6. I