

Managerial Accounting, 4e (Braun/Tietz)

Chapter 1 Introduction to Managerial Accounting

1) Evaluating operations by comparing actual results to budgeted results is a part of the controlling responsibility of management.

Answer: TRUE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

2) Controlling means overseeing the company's day-to-day operations.

Answer: FALSE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

3) The purpose of managerial accounting is to gather, summarize, and report the cost and revenue data relevant to each decision that is made.

Answer: TRUE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

4) Budgeting is the process of evaluating the results of business operations against a plan and then making adjustments to that plan.

Answer: FALSE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

5) Planning, directing, and controlling are a manager's three primary responsibilities.

Answer: TRUE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

6) Managerial accounting develops reports that help internal parties effectively and efficiently run the company.

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

7) Directing means setting goals and objectives for the company and determining how to achieve them.

Answer: FALSE

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

8) Budgets are the quantitative expression of management's plans.

Answer: TRUE

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

9) _____ gathers, summarizes, and reports on the financial impact of changes to business operations.

A) Managerial accounting

B) Planning

C) Directing

D) Controlling

Answer: A

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

10) Creating budgets are part of which primary management responsibility?

A) Controlling

B) Planning

C) Managerial accounting

D) Directing

Answer: B

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

11) Which of the following is **not** one of the primary responsibilities of management?

- A) Adhering to GAAP
- B) Planning
- C) Directing
- D) Controlling

Answer: A

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

12) Planning involves which of the following activities?

- A) Evaluating the results of operations
- B) Overseeing the company's day-to-day operations
- C) Setting goals and objectives for the company
- D) None of the above

Answer: C

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

13) Which of the following is being fulfilled when management compares the budget to actual results?

- A) Directing
- B) Planning
- C) Adjusting
- D) Controlling

Answer: D

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

14) When management uses feedback to take corrective action on the budgets, which of the following management responsibilities are being fulfilled?

- A) Controlling
- B) Adjusting
- C) Directing
- D) Planning

Answer: A

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

15) When management analyzes whether to move production to another country or to keep the production located where it currently is, which of the following management responsibilities is being performed?

- A) Adjusting
- B) Controlling
- C) Planning
- D) Directing

Answer: C

Diff: 3

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

16) Which one of the following items is **not** one of the three primary manager responsibilities?

- A) Controlling
- B) Planning
- C) Directing
- D) Adjusting

Answer: D

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

17) Using product cost information to determine sales prices is an example of

- A) directing.
- B) directing and controlling.
- C) controlling, directing, and planning.
- D) controlling and planning.

Answer: A

Diff: 3

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

18) When management reviews product sales reports to set goals and objectives and then evaluates the results of sales operations against the plan and performance results, which of management's three primary responsibilities is fulfilled?

- A) Controlling and planning
- B) Directing and planning
- C) Directing, controlling, and planning
- D) Analyzing, directing, and planning

Answer: C

Diff: 3

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

19) Budgets are a way for managers to communicate their

- A) control.
- B) decision-making.
- C) hiring practices.
- D) plans.

Answer: D

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

20) Comparing actual results to budgets is an example of which of the following management functions?

- A) Analyzing
- B) Planning
- C) Controlling
- D) Directing

Answer: C

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

21) Overseeing the day-to-day operations of a company is an example of which of the following management functions?

- A) Directing
- B) Planning
- C) Analyzing
- D) Controlling

Answer: A

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

22) Preparing budgets is an example of which of the following management functions?

- A) Planning
- B) Directing
- C) Analyzing
- D) Controlling

Answer: A

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

23) Evaluating results against the plan is an example of which of the following management functions?

- A) Planning
- B) Controlling
- C) Analyzing
- D) Directing

Answer: B

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

24) What are the three primary responsibilities of managers that use managerial accounting as described in the chapter? Give an example of each type of responsibility applicable to a managerial accountant.

Answer: The following are managers' three primary responsibilities:

- a. Planning: An example of planning is when the manager of a local McDonald's restaurant makes the schedule of employee work hours for the upcoming week.
- b. Directing: An example of directing is when the manager of the local McDonald's adjusts the menu to reflect local tastes and preferences.
- c. Controlling: An example of controlling is when the manager of the local McDonald's compares the actual number of hamburger patties used over the past week to the budgeted number of hamburger patties.

Note that student examples of each type of responsibility may vary.

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

25) The managerial accountant at Strategic Group Consulting reported the following information about the sales budget for the period ending December 31, 20XX:

Strategic Group Consulting Sales Budget Period Ending December 31, 20XX					
Quarter	1	2	3	4	Annual Total
Number of Units Sold	1,000	1,200	975	1,600	4,775
Per-Unit Price	\$32.00	\$28.00	\$33.00	\$38.00	
Total Sales	\$32,000	\$33,600	\$32,175	\$60,800	\$158,575

Observe the Sales Budget and determine which primary responsibility the managerial accountant uses to determine which quarter generated the most per-unit product sales data in order to adjust the marketing strategy?

- A) Planning
- B) Controlling
- C) Directing
- D) Analyzing
- E) Eliminating

Answer: C

Explanation: C) The managerial accountant used the directing responsibility in managerial accounting to determine which quarter generated the most sales. This information is important to a manager because the information found in the sales budget report can help the manager adjust the marketing strategy.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

26) Managerial accountants fulfill three primary responsibilities: planning, directing and controlling. Review each of the following tasks that managerial accountants complete in their role as a managerial accountant:

(a) The manager at the Pet Store holds a meeting with staff to set goals and to ask the employees how to achieve the goals.
(b) The manager at the Home Goods Store realized that the actual sales are lower than planned and the manager schedules a meeting to revise plans or adjust the operations.
(c) The local manager at the Halloween Store uses product sales data to determine which costumes generate the most sales and then he or she can use that information to establish seasonal marketing strategies.
(d) The manager at the Children's Hospital translates plans into budgets because he or she wants to see the quantitative expression of the plan.
(e) A manager decides to increase local advertising at the Children's Toy Store.

In the space provided below, indicate whether the task is (1) planning; (2) directing; or, (3) controlling.

Planning

Directing

Controlling

Answer:

(a) Planning: The manager at the Pet Store is planning in this scenario holds a meeting with staff to set goals and discuss how to achieve those goals. Recall that planning involves setting goals and objectives for the company and determining how to achieve those goals.

(b) Controlling: The manager at the Home Goods Store uses the controlling responsibility. Recall that the controlling responsibility means that a manager evaluates the results against the budget and then uses feedback to take corrective action. A manager that reveals that actual sales are lower than planned can schedule a meeting and revise plans or adjust operations to accommodate new objectives.

(c) Directing: The manager at the Halloween Store is directing when he or she uses product sales data to determine which costumes generate the most sales and then uses that information to establish seasonal marketing strategies.

(d) Planning: A manager at the Children's Hospital uses the planning responsibility when he or she translates plans into budgets because he or she wants to observe the quantitative expression of the plan.

(e) Controlling: The manager at the Children's Toy Store increases local advertising to increase sales in the region. The manager uses the controlling responsibility.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

27) The management accountant at Technology Innovators determined \$500,000 is the organization's earning goal to accommodate the organizational plan during the first quarter during a new year. The accountant realizes that to achieve the new earning goal, the operations manager needs to increase the price of technology parts charged to a consumer to \$250.00 per unit. The manager is scheduling a new staff meeting to determine if they need to increase the marketing efforts at the firm, or if they need to design a new part that uses materials that are less expensive to produce.

Which of the following management responsibilities is the managerial accountant using in this example?

- A) Directing
- B) Planning
- C) Controlling
- D) Implementing
- E) Designing

Answer: B

Explanation: B) The management accountant is using the planning responsibility in this example. Recall that in the planning responsibility, managerial accountants set goals and objectives for the organization; and, they determine how to achieve those goals. A managerial accountant can also translate a plan into a budget to perform a quantitative analysis. The managerial accountant analyzes the budget before proceeding with the budget since the managerial accountant determines whether or not the plan is feasible based on the results of the analysis.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

28) The management accountant at Woodhaven Cycle Shoppe developed a budget to establish the sales goals at the store in 2012. In 2013, the management accountant evaluated the performance in the organization, reviewed the performance of the sales staff, and compared the sales results to the actual budget that the managerial accountant developed in 2012.

Which of the following management accounting responsibilities is the management accountant using in this example?

- A) Planning
- B) Directing
- C) Controlling
- D) Designing
- E) Implementing

Answer: C

Explanation: C) The management accountant at Woodhaven Cycle Shoppe is using the controlling responsibility in this example. Recall that in the controlling responsibility a managerial accountant evaluates the business operations against the plan, makes any changes or adjustments that ensure the smooth operation of the plan.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

29) The management accountant at Light Manufacturing oversees the company's day-to-day operations at the firm. The management accountant observed that the company generated \$800,000 in product sales and the management accountant uses that information to run the daily business operations. The information is also to the management accountant because the data reveals which products generate the most sales; and, the management accountant uses that information to adjust products and develop the marketing strategy.

Which of the following management accounting responsibilities is the management accountant using in this example?

- A) Planning
- B) Directing
- C) Controlling
- D) Designing
- E) Implementing

Answer: B

Explanation: B) The management accountant at Light Manufacturing is using the directing responsibility in the example. Recall that in the directing responsibility, managerial accountants oversee the company's day-to-day operations. The managerial accountant typically uses product cost reports, product sales information, or other reports needed to run the daily operations in the business. The managerial accountant used the directing responsibility to reveal which products earned the most sales and the managerial accountant used that information to adjust products and develop the new or revised marketing strategy.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

30) The SEC requires an independent certified public accountant (CPA) to audit reports generated by managerial accounting systems.

Answer: FALSE

Diff: 2

LO: 1-2

EOC: E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

31) The design of a management accounting system should consider how reports affect employees' behavior.

Answer: TRUE

Diff: 2

LO: 1-2

EOC: E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

32) Managerial accountants must comply with Generally Accepted Accounting Principles (GAAP) standards when they prepare managerial accounting reports.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: QC1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

33) Management accounting requires an independent audit of the firm's books.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

34) The primary purpose of managerial accounting information is to help external users make investing and lending decisions.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

35) Managers and other internal users are the primary users of managerial accounting information.

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

36) The primary managerial accounting product is the company's audited financial statements.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

37) Managerial accounting information emphasizes relevance over reliability and objectivity.

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

38) Managerial accounting information tends to report on segments of the business.

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

39) Managerial accounting reports are always prepared on a quarterly and annual basis.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

40) Managerial accounting information is always based on historical transactions with external parties.

Answer: FALSE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

41) What do managers weigh to develop and run their accounting systems?

A) Generally Accepted Accounting Principles (GAAP)

B) SEC Regulations

C) Cost-Benefit

D) International Financial Reporting Standards (IFRS)

Answer: C

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

42) How often should managerial accounting reports be prepared?

A) Annually

B) Quarterly

C) Monthly

D) As often as necessary

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

43) Which of the following statements is **true** regarding managerial accounting information?

- A) Managerial accounting information is audited by CPAs.
- B) Managerial accounting information emphasizes relevance.
- C) Managerial accounting information is prepared annually and quarterly.
- D) Managerial accounting information must be prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Answer: B

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

44) The focus of management accounting is on

- A) tax preparation.
- B) external reporting.
- C) internal reporting.
- D) auditing.

Answer: C

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

45) Which of the following individual is the only individual to use financial accounting information?

- A) Vice president of plant operations
- B) Product manager
- C) Plant manager
- D) Bank credit officer

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

46) Managerial accounting would use which of the following types of information?

- A) Forecasts of future earnings
- B) Financial information
- C) Nonfinancial information
- D) All of the above

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

47) Which of the following persons or groups would be **least** likely to receive detailed managerial accounting reports?

- A) CEO
- B) Plant managers
- C) Current shareholders
- D) Sales territory managers

Answer: C

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

48) _____ is designed to meet the needs of internal decision makers.

- A) Tax accounting
- B) Managerial accounting
- C) Financial accounting
- D) Audit accounting

Answer: B

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

49) The primary goal of managerial accounting is to provide information to

- A) internal decision-makers.
- B) shareholders.
- C) creditors.
- D) both shareholders and creditors.

Answer: A

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

50) The primary goal of financial accounting is to provide information to

- A) government regulators.
- B) creditors.
- C) potential investors.
- D) all of the above.

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

51) Which of following statements is **true**?

- A) Managerial accounting focuses on historical transactions.
- B) Financial accounting focuses on future data.
- C) Management accounting focuses on relevant data.
- D) Managerial accounting uses the cash basis for recording transactions.

Answer: C

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

52) Which statement is **true**?

- A) Management uses financial information to analyze costs.
- B) Management uses financial information to plan internal operations.
- C) Management uses reports created for internal parties.
- D) All of the above are true.

Answer: D

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

53) Which of the following statements is **false** about financial accounting?

- A) Financial accounting helps investors make decisions.
- B) Financial accounting provides sufficient information for managers to effectively plan and control operations.
- C) Financial accounting reports help creditors make decisions.
- D) Financial accounting provides external reports.

Answer: B

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

54) Which of the following statements is **true** about managerial accounting?

- A) Managerial accounting reports aid potential investors.
- B) Managerial accounting reports must follow GAAP.
- C) Managerial accounting reports are audited by CPAs.
- D) Managerial accounting reports provide detailed internal information.

Answer: D

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

55) Which of the following are the internal decision makers of a company?

- A) Vendors
- B) Managers
- C) Shareholders
- D) Customers

Answer: B

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

56) Which one of the following financial reports is required to be audited by an outside entity?

- A) Monthly financial statements
- B) Annual financial budgets
- C) Annual financial statements
- D) All of the above

Answer: C

Diff: 2

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

57) Which of the following groups are external users of financial information?

- A) Customers of the company
- B) Potential investors of the company
- C) Vendors of the company
- D) All of the above

Answer: D

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

58) A company's budget information is most likely to be used by which of the following groups?

- A) Suppliers
- B) Creditors
- C) Customers
- D) Managers

Answer: D

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

59) _____ are a company's decision makers.

- A) Shareholders
- B) Managers
- C) Customers
- D) Creditors

Answer: B

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

60) _____ are owners of a company.

- A) Customers
- B) Shareholders
- C) Creditors
- D) Managers

Answer: B

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

61) An external party receives information about past performance from

- A) planning reports.
- B) budget reports.
- C) financial statements.
- D) internal managerial accounting reports.

Answer: C

Diff: 1

LO: 1-2

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

62) Internal parties receive information about past performance from

- A) audit reports.
- B) budget reports.
- C) planning reports.
- D) managerial accounting reports.

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

63) Discuss at least four differences between financial accounting and managerial accounting.

Answer:

Item	Managerial accounting	Financial accounting
Primary users	Internal	External
Purpose of information	To help managers make decisions	To help investors and creditors make decisions
Focus	Segments	Entire organization as a whole
Frequency	As needed	Quarterly and annually
Auditing	Not subject to audit	Publicly held companies are audited
Required?	No	Required by GAAP, SEC, IRS, and others
Time frame focus	Future	Past (historical transactions)

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

64) Is financial accounting or managerial accounting more useful to a plant (factory) manager? Explain your answer.

Answer: Managerial accounting is more useful to a plant manager compared to financial accounting since financial accounting typically gives financial information for the company as a whole. The plant manager would find very little information in the financial accounting reports that relate directly to the plant environment and the performance of the plant itself. Managerial accounting could provide the plant manager with information relating to the plant individually. Examples of types of information provided by managerial accounting are:

- a comparison of budgeted costs versus actual costs.
- tracking of safety incidents.
- quality costs.
- product line profitability.
- profitability by shift.

(Student examples may vary.)

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

65) In 2013, the accountant at Star Incorporated, a national time-share company, focused on an internal sales report that illustrates the sales projections to ensure the sales representatives achieve their goals in 2013; however, the report was not prepared in accordance with GAAP. The accountant observed that the total sales produced by the sales representatives in 2012 were \$250,000,000. The accountant is in the process of establishing the new 2013 sales goals for the sales representatives and the accountant is concerned about the new sales goals in 2013 since the economy is slow and many individuals and groups are not purchasing time-share condos.

Is the accountant a management accountant or a financial accountant? What concept concerns the accountant when the new sales goals are revealed to the sales representatives and administrative staff? Why?

Answer: The accountant at Star Incorporated is a management accountant. Management accountants focus on internal reports that focus on the future; and, the internal reports at the business are not prepared in accordance with GAAP. The management accountant is concerned about how the new sales goals will impact the behavior of the employees.

Diff: 3

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

66) In 2013, the employee at Lighthouse Services prepared an annual report for the bank that revealed total revenue in 2012 was \$6,000,000. The manager needs the information to apply for a loan to purchase new equipment to maintain the operations at the organization. The report was prepared in accordance with GAAP and the report contained information about the 2012 financial performance at the company.

Which of the following describes the role of the employee at Lighthouse Services?

A) Managerial Accountant

B) CFO

C) CEO

D) Board of Director

E) Financial Accountant

Answer: E

Explanation: E) The accountant at Lighthouse Services is a financial accountant. Financial accountants focus on the external users of reports and the summary reports focus on the entire organization in accordance with GAAP; and, the reports focus on past data.

Diff: 3

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

67) Review the following individual accounting system components that contain the skills and capabilities of individuals in Chart A and review the accounting system components that contain the skills and capabilities of individuals in Chart B.

Accounting Systems: Skills and Capabilities Chart A
• Analytical skills
• Verbal and written communication skills
• Accounting and business knowledge
• Teamwork abilities

Accounting Systems: Skills and Capabilities Chart B
• Producing annual and quarterly statements
• Statements prepared in accordance to GAAP
• Statements useful to external users
• Annual financial statements audited by an independent CPA

Which of the following describes the individual required to perform the accounting system skills and capabilities in Chart A and which individual is the responsible individual required to perform the skills and capabilities in Chart B?

- A) Chart A: Independent Auditor; Chart B: Internal Audit Function
- B) Chart A: Managerial Accountant; Chart B: Financial Accountant
- C) Chart A: Audit Committee; Chart B: Cross Functional Teams
- D) Chart A: Cross Functional Teams; Chart B: Treasurer
- E) Chart A: Controller; Chart B: Treasurer

Answer: B

Explanation: B) Chart A contains the skills and capabilities of a management accountant system; and, Chart B contains the skills and capabilities of a financial accountant accounting system. Recall that managerial accounting systems provide managers with the information needed to plan, direct, and control the operations in the organization; whereas financial accounting systems produce annual and quarterly consolidated financial statements used by investors and creditors. The financial systems contain reports that are produced on an annual or quarterly basis; and, they are prepared in accordance to GAAP.

Diff: 3

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

68) The new accountant at the Holiday Card Shoppe reviewed the following information:

Holiday Card Shoppe Budget Report	
Region 1: Unit A future cost allowance	\$25,000
Region 2: Unit B future cost allowance	\$27,500
Region 3: Unit C future cost allowance	\$24,000
Region 4: Unit D future cost allowance	\$22,500
Cost to transport cards from central warehouse to individual units in various geographic regions	(\$15,000)

Is the system a financial system or a managerial system? Is the accountant at the Holiday Card Shoppe a managerial accountant or a financial accountant? Why?

Answer: The budget report is an example of a managerial accounting system. The budget report illustrates the future allowance to each unit in a different region; and, the report illustrates the cost to transport the cards from the central warehouse to individual units. The managerial accountant at Holiday Card Shoppe is a managerial accountant. Recall that managerial accounting system reports focus on the future and the reports provide relevant information that helps managers make business decisions.

Diff: 3

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

69) The new employee at Cork Manufacturing reported to work and the employee reviewed the following information that was audited by the CPA:

Cork Manufacturing Consolidated Balance Sheet Worksheet December 31, 20XX	
Assets	Total
Cash.....	\$600,000
Notes receivable	\$750,000
Investments in Company A	\$800,000
Other assets	\$900,000
Total Assets:	\$3,050,000
Liabilities and Equities	
Accounts payable	\$25,000
Notes payable	100,000
Common stock	\$1,000,000
Retained Earnings	\$1,925,000
Total Liabilities and Equities	\$3,050,000
Note to Accountant: This statement was prepared in accordance to GAAP.	

Which of the following describes the role of the new employee?

- A) Managerial Accountant
- B) Financial Accountant
- C) CEO
- D) Receptionist
- E) Secretary

Answer: B

Explanation: B) The employee is a financial accountant. The consolidated balance worksheet was prepared in accordance to GAAP. Recall that accounting financial systems are generated toward producing annual and quarterly consolidated financial statements. The SEC requires independent CPAs to audit the annual financial statements.

Diff: 3

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

70) Management accountants rarely interact with employees from other business functions such as marketing and customer service.

Answer: FALSE

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

71) The CFO is the person responsible for the day-to-day operations of the company.

Answer: FALSE

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

72) The treasurer and the controller report directly to the CFO.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

73) The internal audit department reports directly to the audit committee, a subcommittee of the board of directors.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

74) Managerial accountants no longer perform routine mechanical accounting tasks in most companies.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: QC1-4

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

75) Managerial accountants are now considered to be similar to internal consultants and business advisors.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: QC1-4

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

76) Oral and written communications skills are considered among the skills that are critical to management accountants.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: QC1-4

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

77) Technology has been a driving factor in the changing roles of management accountants.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

78) Management accountants spend more time planning, analyzing and interpreting accounting data and less time recording routine mechanical work.

Answer: TRUE

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

79) The only skill required of managerial accountants is that they have a solid knowledge of both financial and managerial accounting.

Answer: FALSE

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

80) Managerial accountants only need a solid understanding of managerial accounting, and not financial accounting.

Answer: FALSE

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

81) What position is typically responsible for general financial accounting, managerial accounting, and tax reporting?

- A) Controller
- B) Treasurer
- C) CFO
- D) Audit committee

Answer: A

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

82) Despite the proliferation of technology, managerial accountants are still needed to provide professional judgment in which of the following areas?

- A) Recording non-routine transactions
- B) Adjusting the financial records
- C) Designing information systems
- D) All of the about activities require professional judgment

Answer: D

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

83) The IMA issues which of the following certifications?

- A) CMA
- B) CIA
- C) CFP
- D) CPA

Answer: A

Diff: 1

LO: 1-4

EOC: QC1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

84) A CFO would have all of the following responsibilities **except**

- A) investing in new production equipment.
- B) managing corporate financing.
- C) preparing all corporate tax returns.
- D) providing reports to creditors as required.

Answer: A

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

85) Which of the following positions typically manages the daily operations of a company?

- A) The controller
- B) The CEO
- C) The board of directors
- D) The stockholders

Answer: B

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

86) Which of the following positions is responsible for the oversight, strategy formulation, and guidance at a large corporation?

- A) CEO
- B) Company president
- C) Stockholders
- D) Board of Directors

Answer: D

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

87) Which of the following roles in an organization is responsible for the oversight of the vice president of operations?

- A) COO
- B) Board of Directors
- C) CFO
- D) CEO

Answer: A

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

88) The COO is responsible for managing which of the following aspect(s) of the company?

- A) The annual audit
- B) Internal controls
- C) Research and development (R&D), production, and distribution
- D) Financial accounting, managerial accounting, and tax accounting

Answer: C

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

89) Which of the following positions report to the audit committee of the Board of Directors?

- A) The CFO and Internal Audit Department
- B) The Internal Audit Department and the independent CPAs
- C) The CFO and the independent CPAs
- D) The treasurer and controller

Answer: B

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

90) Which of the following positions is primarily responsible for raising capital and investing funds?

- A) The treasurer
- B) The COO
- C) The CFO
- D) The CEO

Answer: A

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

91) What factor has changed the roles of managerial accountants?

- A) Stricter GAAP standards
- B) Technology
- C) Stricter audit standards
- D) None of the above

Answer: B

Diff: 2

LO: 1-3

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

92) Which of the following tasks do management accountants perform?

- A) Help design information systems
- B) Provide decision support
- C) Ensure financial records are correct
- D) All of the above

Answer: D

Diff: 2

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

93) Managerial accountants may be responsible for

- A) providing decision support.
- B) communicating results.
- C) analyzing data.
- D) All of the above.

Answer: D

Diff: 2

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

94) Managerial accountants are required to possess which of the following skills?

- A) Analytical skills
- B) Oral and written communication skills
- C) The ability to work on a team
- D) All of the above

Answer: D

Diff: 2

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

95) The _____ is a subcommittee of the Board of Directors.

- A) managerial committee
- B) stockholder committee
- C) audit committee
- D) financial committee

Answer: C

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

96) Which person or group is **not** an employee of the corporation?

- A) A member of the audit committee
- B) The treasurer
- C) The VP of manufacturing
- D) The CFO

Answer: A

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

97) Which person is hired directly by the board of directors to manage the daily operations of the company?

- A) The CFO
- B) The Treasurer
- C) The COO
- D) The CEO

Answer: D

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

98) According to the textbook, a managerial accountant often works on a (an)

- A) cross-functional team.
- B) workgroup.
- C) audit team.
- D) multi-functional team.

Answer: A

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

99) A company's audit committee meets

- A) quarterly.
- B) periodically, as needs dictate.
- C) monthly.
- D) annually.

Answer: B

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

100) Which of the following roles require publicly-traded companies to have an internal audit function?

- A) The New York Stock Exchange (NYSE)
- B) The Internal Revenue Service (IRS)
- C) The stockholders
- D) The Board of Directors

Answer: A

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

101) Which of the following role is directly responsible for all financial functions in an organization?

- A) Treasurer
- B) CEO
- C) CFO
- D) COO

Answer: C

Diff: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

102) The person who is directly responsible for the company's operations, such as research and development (R&D), production and distribution is the

- A) CFO.
- B) Treasurer.
- C) CEO.
- D) COO.

Answer: D

Diff: 2

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

103) Describe the position of the CFO, the main function of the treasurer, and the main function of the controller within the organization.

Answer: The treasurer and controller both report to the CFO. The treasurer is responsible for the investing functions of the organization (i.e., obtaining financing, paying down debt, issuing stock, etc.). The controller is responsible for the financial accounting system and the managerial accounting system of the organization.

Diff: 2

LO: 1-3

EOC: S1-3; S1-5

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

104) The employees at Table Manufacturing perform the following tasks as indicated in Table A and Table B.

Employee A Roles and Responsibilities	Employee B Roles and Responsibilities
Reports to CFO	Reports to CFO
Raises capital through issuing stocks and bonds	General financial accounting
	General managerial accounting
	Tax preparation

Which of the following is the role of Employee A and Employee B?

- A) CFO; CEO
- B) Managerial Accountant; Financial Accountant
- C) Treasurer; Controller
- D) Audit Committee; Cross-Functional Team
- E) Cross-Functional Teams; Treasurer

Answer: C

Diff: 3

LO: 1-3

EOC: S1-3; S1-5

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

105) The individuals at Page Manufacturing perform the following duties:

Employee C Roles and Responsibilities	Employee D Roles and Responsibilities
Manages organization on a daily basis	Responsible for the operations at the company
Hires other executives to run the organization	

Identify Employee B and Employee C.

- A) CEO; COO
- B) Treasurer; Controller
- C) Internal Audit Function; Audit Committee
- D) Cross-Functional Team; Treasurer
- E) Audit Committee; CEO

Answer: A

Diff: 3

LO: 1-3

EOC: S1-4; S1-5

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

106) The individuals at the International Fireplace Shoppe perform the following duties:

Individual E Roles and Responsibilities	Individual F Roles and Responsibilities
Role is required by the SEC	Oversees internal audit function
Ensure internal controls and risk management policies function properly	Oversees annual audit of financial statements by independent CPAs
Reports to audit committee	Does not manage internal audit functions on a daily basis
Also reports to CFO or CEO for administrative matters	Periodic meetings

Identify individual E and individual F at International Fireplace Shoppe.

A) CEO; CFO

B) Treasurer; Controller

C) Management Accountant; Financial Accountant

D) Secretary; Receptionist

E) Internal Audit Function; Audit Committee

Answer: E

Diff: 3

LO: 1-3

EOC: S1-3; S1-4

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

107) Jackie works at the Outer Banks Beach Shoppe. Jackie also works with employees that represent various functions of the company such as R&D, Design, Production, and Marketing. This role is effective because each member can address the business decisions from a different viewpoint. Jackie reports to the vice president of operations. What is Jackie's role at the Outer Banks Beach Shoppe?

Answer: Jackie works on a cross-functional team. Recall that cross-functional teams are effective because each member can address business decisions from a different viewpoint. Management accountants often take a leadership role in cross-functional teams.

Diff: 3

LO: 1-3

EOC: S1-5

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

108) Jim works at Master Remodeling Company. Jim was elected by the stockholders at Master Remodeling Company to oversee the internal audit company and the annual financial statement audit by independent CPAs. Jim does not have a set schedule; and, Jim meets with others at the company only periodically. What is Jim's role at Master Remodeling Company?

Answer: Jim is on the board of directors at Master Remodeling Company. He was elected to oversee the internal audit function and the annual financial statement audit by independent CPAs.

Diff: 3

LO: 1-3

EOC: S1-4; S1-5

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

109) The IMA suggests that members discuss ethical dilemmas with the company's board of directors.

Answer: FALSE

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

110) The IMA is the professional association for management accountants.

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

111) The IMA issues the CMA designation.

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

112) A company sends an employee to a conference to update the employee's job-related skills. It is a violation of the IMA's Statement of Ethical Professional Practice standards if the employee decides to skip the afternoon session and decides to go sightseeing.

Answer: TRUE

Diff: 2

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

113) The ethical principles and standards of the IMA's Statement of Professional Practice always provide clear guidance for every unethical situation.

Answer: FALSE

Diff: 2

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

114) The IMA's confidential "Ethics Hotline" provides specific resolutions (answers) to IMA members who face ethical dilemmas.

Answer: FALSE

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

115) Just because a behavior is legal does not always mean that the behavior is ethical.

Answer: TRUE

Diff: 2

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

116) The IMA's overarching ethical principles include: Honesty, Fairness, Objectivity, and Responsibility.

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

117) The IMA suggests that, when faced with an ethical dilemma, the first thing management accountants should do is call the IMA's ethics hotline to report the unethical behavior.

Answer: FALSE

Diff: 1

LO: 1-4

EOC: S1-8

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

118) To resolve ethical dilemmas, the IMA suggests that management accountants should **first**

- A) consult an attorney.
- B) call the IMA "Ethics Hotline."
- C) follow their company's established policies for reporting unethical behavior.
- D) discuss the unethical situation with their immediate supervisor.

Answer: C

Diff: 1

LO: 1-4

EOC: S1-8

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

119) Which of the following is **not** one of the IMA's overarching ethical principles?

- A) Fairness
- B) Responsibility
- C) Honesty
- D) Creativity

Answer: D

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

120) The standards in the IMA Statement of Ethical Professional Practice includes

- A) Competence, Confidentiality, Integrity, and Credibility.
- B) Competence, Objectivity, Credibility, and Honesty.
- C) Competence, Confidence, Integrity, and Credibility.
- D) Competence, Confidentiality, Integrity, and Objectivity.

Answer: A

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

121) All of the following are overarching principles in the IMA Statement of Ethical Professional Practice **except**

- A) responsibility.
- B) objectivity.
- C) integrity.
- D) fairness.

Answer: C

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

122) The standards of the IMA Statement of Ethical Professional Practice include which of the following?

- A) Objectivity
- B) Fairness
- C) Honesty
- D) Integrity

Answer: D

Diff: 1

LO: 1-4

EOC: S1-8

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

123) Preparing financial statements in accordance with GAAP is an example of

- A) integrity.
- B) competence.
- C) credibility.
- D) objectivity.

Answer: B

Diff: 1

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

124) Communicating information fairly and objectively is an example of which ethical standard?

- A) Credibility
- B) Integrity
- C) Competence
- D) Confidentiality

Answer: A

Diff: 1

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

125) Performing duties in accordance with relevant laws, regulations, and technical standards comprise the IMA professional ethics standard of

- A) credibility.
- B) competence.
- C) integrity.
- D) confidentiality.

Answer: B

Diff: 1

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

126) Inflating your expenses for a company-sponsored conference that discredits the profession is a violation of what ethical standard?

- A) Credibility
- B) Integrity
- C) Competence
- D) Confidentiality

Answer: B

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

127) To ensure a profit in the current year, the manager ships out pre-ordered merchandise the last week of December, instead of in mid-January as the customer instructed. This early shipment could be a violation of which ethical standard?

- A) Confidentiality
- B) Integrity
- C) Competence
- D) All of the above

Answer: B

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

128) What ethical standard is being violated when you tell a friend that the company you work for is going to report lower than expected earnings next week?

- A) Credibility
- B) Integrity
- C) Confidentiality
- D) Competence

Answer: C

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

129) An accountant who does not understand "accrual accounting" fails which ethical standard?

- A) Credibility
- B) Competence
- C) Integrity
- D) Confidentiality

Answer: B

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

130) What ethical standard would you violate if you take pens home from work for personal use?

- A) Integrity
- B) Competence
- C) Confidentiality
- D) Credibility

Answer: A

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

131) What is the name of the professional association for managerial accountants?

- A) Institute of Professional Accountants
- B) Professional Accountants Association
- C) Association of Management Accountants
- D) Institute of Management Accountants

Answer: D

Diff: 2

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

132) Which of the following certifications is issued by the IMA?

- A) CISA
- B) CFP
- C) CMA
- D) CPA

Answer: C

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

133) Which of the following is an example of the IMA's competence standard?

- A) Provide decision support information and recommendations that is accurate, clear, concise and timely.
- B) Keep information confidential, except when disclosure is legally required.
- C) Communicate information fairly and objectively.
- D) Abstain from engaging in or supporting any activity that might discredit the profession.

Answer: A

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

134) Which of the following is an example of the IMA's credibility standard?

- A) Provide decision support that is accurate, clear, concise and timely.
- B) Keep information confidential, except when disclosure is legally required.
- C) Communicate information fairly and objectively.
- D) Abstain from engaging in or supporting any activity that might discredit the profession.

Answer: C

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

135) Which of the following is an example of the IMA's integrity standard?

- A) Provide decision support that is accurate, clear, concise and timely.
- B) Keep information confidential, except when disclosure is legally required.
- C) Communicate information fairly and objectively.
- D) Abstain from engaging in or supporting any activity that might discredit the profession.

Answer: D

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

136) Which of the following is an example of the IMA's confidentiality standard?

- A) Provide decision support that is accurate, clear, concise and timely.
- B) Keep information confidential, except when disclosure is legally required.
- C) Communicate information fairly and objectively.
- D) Abstain from engaging in or supporting any activity that might discredit the profession.

Answer: B

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

137) Which of the following is **not** one of the IMA's credibility standards?

- A) To disclose all relevant information
- B) To disclose deficiencies in internal control
- C) To communicate information fairly and objectively
- D) All of the above are part of IMA's credibility standard.

Answer: D

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

138) Which ethical standard is demonstrated when you attend a class to maintain your professional knowledge?

- A) Credibility
- B) Integrity
- C) Competence
- D) Confidentiality

Answer: C

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

139) Not disclosing sensitive information is an example of which ethical standard?

- A) Credibility
- B) Integrity
- C) Competence
- D) Confidentiality

Answer: D

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

140) Refusing gifts or favors that could be perceived to influence your actions is an example of which ethical standard?

- A) Credibility
- B) Integrity
- C) Confidentiality
- D) Competence

Answer: B

Diff: 2

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

141) Accepting a job that you know can be better performed by someone else with the required skills would violate the ethical conduct standard of

- A) credibility.
- B) integrity.
- C) competency.
- D) confidentiality.

Answer: C

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

142) It would be a violation of which ethical standard to withhold relevant information?

- A) Confidentiality
- B) Competency
- C) Integrity
- D) Credibility

Answer: D

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

143) Failure to mitigate an actual conflict of interest would violate which ethical standard of conduct?

- A) Credibility
- B) Integrity
- C) Competency
- D) Confidentiality

Answer: B

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

144) Bridgette is a managerial accountant at the Middle Peninsula Manufacturing Company. Recently, Bridgette received a Certified Management Accountant (CMA) certification. To receive the certification, Bridgette was required to attend classes and she had to pass a rigorous examination and maintain continuing professional education now and as designated in the future. To prepare for the exam, Bridgette focused on managerial accounting topics, economic topics, and business finance topics. The exam permits Bridgette to earn a competitive salary and to obtain a promotion to a higher-level position within the company. Which of the following is the name of the regulatory body that issues the Certified Management Accountant (CMA) certification?

- A) Sarbanes-Oxley Act of 2002
- B) U. S. Securities and Exchange Commission
- C) Institute of Management Accountants (IMA)
- D) The Federal Reserve Board
- E) International Financial Reporting Standards (IFRS)

Answer: C

Diff: 2

LO: 1-4

EOC: S1-6

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

145) Sally oversees the accounting operations at Hopewell Distributors. Recently, Sally suspects an accounting manager commits fraud because the accounting manager in the operations division submitted a report that had incorrect account receivable totals. Sally checks the actual receivable totals against the forecasted totals and her assessment is correct. The manager then reports lower total receivables and compares those totals to the amount the company actually collects. A recent audit report indicates that the manager wrote checks payable to cash and cashed the checks. What actions should Sally take about the information she discovered about the accounting manager in the operations division?

Answer: Sally should comply with Hopewell Distributors policies and procedures that highlight how to resolve unethical or illegal behavior. If the policies and procedures set forth at the company do not highlight the actions Sally needs to take to proceed, Sally should consult with the immediate supervisor to report the unethical or illegal issue.

Diff: 3

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

146) Karlene is the new managerial accountant at the Bay Beach House Restaurant. Karlene complies with principles and standards that help accountants deal with ethical challenges that she can encounter in the workplace. The principles and standards ensure that management accountants exhibit the highest level of ethical behavior. The four ethical standards include competence, confidentiality, integrity, and credibility. Which of the following requires management accountants comply with the four ethical standards?

- A) IMA's Statement on Ethical Professional Practice
- B) Certified Management Accountant (CMA)
- C) Sarbanes-Oxley Act of 2002
- D) Certified Public Accountant (CPA)
- E) The Federal Reserve Board

Answer: A

Diff: 3

LO: 1-4

EOC: S1-7

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

147) Tom is the new accounting supervisor at Maryland Distributors. Tom requires all accountants to join the IMA and Tom expects all accountants to commit to ethical professional practice. Tom is asked to review the previous quarter audit reports that were completed by the CPA firm. Tom reviews the reports and he discovers that an accountant in the sales division did not participate in continuing education as required. According to the IMA Statement of Ethical Professional Practice, which of the following did the accountant violate when the accountant did not participate in continuing education requirements?

- A) Competence
- B) Confidentiality
- C) Integrity
- D) Credibility
- E) Leadership

Answer: A

Explanation: A) The accountant violated the competence standard. According to the competence standard, each member has the responsibility to maintain an appropriate level of professional expertise by continually developing knowledge and skills.

Diff: 3

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

148) The managerial accountant reviews the report from the internal audit function that ensures the company's internal controls and risk management policies are functioning properly. According to the report, there were discrepancies in the internal controls that are not in conformance with the organizational policy and applicable law. The managerial accountant suspects that the CEO is embezzling \$30,000 per quarter. What should the managerial accountant do about this discrepancy? If the accountant fails to act on this issue, what standard according to the IMA Statement of Ethical Professional Practice does the accountant violate?

Answer: Since the CEO oversees the operations, the management accountant cannot bring this matter to the attention to the CEO since the management accountant suspects that the CEO is embezzling funds from the organization. The management accountant should call the EMAs confidential "Ethics Hotline" and discuss the dilemma. The management accountant should also consult an attorney regarding the legal obligations and rights. If the management accountant does not report this incident, the management accountant violates the IMA Statement of Ethical Professional Standard of credibility.

Diff: 3

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes in costs and volume on a company's profits.

149) The Sarbanes-Oxley Act of 2002 (SOX) was designed to hold corporations accountable for internal control and financial reporting requirements.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

150) The Sarbanes-Oxley Act has significantly impacted the responsibility for financial reporting by publicly traded corporations.

Answer: TRUE

Diff: 2

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

151) SOX do not allow CPA firms to provide certain non-audit services to companies during the same period of time in which they are providing the services.

Answer: TRUE

Diff: 2

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

152) The management philosophy of lean production is used by many U.S. companies to cut costs, improve quality, and speed production.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

153) Implementing a program to bill customers electronically, therefore saving paper, is a green initiative that reduces not only waste, but it also reduces company costs.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

154) Lean production cuts the throughput time of a manufacturing concern.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

155) ISO 9001:2008 is a certification program for companies that adhere to an international set of quality management standards and guidelines.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

156) According to SOX, at least one member of the audit committee should be a financial expert.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

157) IFRS stands for "Important Financial Reporting Standards."

Answer: FALSE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

158) Extensive Business Reporting Language (XBRL) will be required of both public and private companies.

Answer: FALSE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

159) Lean thinking is both a philosophy and a business strategy of manufacturing without waste.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

160) The American Institute of Certified Public Accountants was the first professional membership organization in the United States to earn the ISO 9001 certification.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

161) Businesses are now viewing sustainability and social responsibility as opportunities for innovation and business development.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

162) Company initiatives to address sustainability and corporate responsibility not only "do the right thing," but also can lead to economic profits by increasing demand for the company's products and services.

Answer: TRUE

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

163) A wave of accounting scandals around the turn of the 21st century prompted which of the following?

- A) XBRL
- B) IFRS
- C) SOX
- D) ISO

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

164) Which of the following is responsible for the ability of foreign companies to compete with domestic companies in the global marketplace?

- A) Globalization
- B) The Sarbanes-Oxley Act of 2002
- C) Decreased barriers to international trade
- D) International financial reporting standards

Answer: C

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

165) Which type of system integrates ALL of the company's departments, worldwide functions, and data?

- A) TQM System
- B) ERP System
- C) ISO System
- D) QuickBooks

Answer: B

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

166) According to the Sarbanes-Oxley Act, who is responsible for establishing and maintaining internal controls over financial reporting?

- A) The CEO and CFO
- B) The internal auditors
- C) The external auditors
- D) The SEC

Answer: A

Diff: 1

LO: 1-5

EOC: QC1-8; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

167) The Sarbanes-Oxley Act requires the CPA firm to rotate the audit partner off of the audit engagement every _____ year(s).

- A) three
- B) four
- C) five
- D) one

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

168) Which of the following is **not** an advantage of an ERP system?

- A) Streamlining operations
- B) Allowing faster response to changes
- C) Eliminating separate software systems across the company
- D) Lower initial cost than traditional systems

Answer: D

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

169) In recent years, there has been an increasing awareness and growing interest in _____ and social responsibility by both consumers and corporations.

- A) the bottom line.
- B) total quality management.
- C) sustainability.
- D) just-in-time.

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

170) The "triple bottom line" focuses on what three factors that influence a firm's ability to survive and thrive in the long run?

- A) People, places, things
- B) Profit, people, planet
- C) Profit, people, place
- D) Planet, profit, place

Answer: B

Diff: 1

LO: 1-5

EOC: QC1-10; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

171) Under SOX, a CPA firm is permitted to perform which of the following services for an audit client with pre-approval from the client's audit committee?

- A) Tax
- B) Financial information design
- C) Bookkeeping
- D) Consulting

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

172) According to SOX, a company's financial statements must be certified by the company's

- A) CEO.
- B) CFO.
- C) Controller.
- D) CFO and CEO.

Answer: D

Diff: 2

LO: 1-5

EOC: QC1-8; S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

173) A requirement of SOX is that publicly traded companies must have which of the following assessed annually?

- A) Financial reporting system
- B) Internal control system
- C) Internal control system and financial reporting system
- D) There is no annual assessment required under SOX.

Answer: C

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

174) The SEC is considering the move to adopt IFRS for which types of companies?

- A) All U.S. companies
- B) All U.S. publicly traded companies
- C) All U.S. private companies
- D) Only foreign companies operating in the U.S.

Answer: B

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

175) IFRS stands for

- A) Important Foreign Registering Systems.
- B) International and Foreign Registering Standards.
- C) International and Foreign Reporting Systems.
- D) International Financial Reporting Standards.

Answer: D

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

176) XBRL stands for

- A) Extensive Business Registering Location.
- B) Extractable Business Reporting Location.
- C) Extensible Business Reporting Language.
- D) Existing Business Responsibility Language.

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

177) In what year will XBRL be required for all publicly traded companies?

- A) 2017
- B) 2015
- C) 2011
- D) 2010

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

178) XBRL can best be described as a

- A) new set of auditing standards.
- B) new set of accounting standards.
- C) new set of ethical standards.
- D) a standardized tagging system for financial statement data.

Answer: D

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

179) Which of the following statements about XBRL is **false**?

- A) XBRL is only required for publicly traded companies.
- B) XBRL will decrease the need for manual financial information searches.
- C) The US is the first country to mandate use of XBRL.
- D) XBRL should decrease the time companies spend converting their financial information into various government-prescribed formats.

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

180) _____ is the business philosophy and a strategy of manufacturing without waste.

- A) ISO 9001
- B) Lean thinking
- C) TQM
- D) Thin manufacturing

Answer: B

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

181) Companies may adopt which of the following in an attempt to increase their competitive edge?

- A) TQM
- B) Green initiatives
- C) Lean thinking
- D) All of the above

Answer: D

Diff: 2

LO: 1-5

EOC: S1-9

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

182) Movements toward sustainability and corporate responsibility often

- A) result in increased demand for the company's product or service.
- B) include monetary support of local schools and charities.
- C) include green initiatives.
- D) All of the above are correct.

Answer: D

Diff: 2

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

183) The Sarbanes-Oxley Act was enacted

- A) to prevent accounting scandals like Enron.
- B) to restore trust in publicly traded companies.
- C) to hire better qualified managerial accountants.
- D) none of the above

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

184) Which of the following was **not** a result of the Sarbanes-Oxley Act?

- A) The COO assumes financial statement responsibility.
- B) There are new requirements for CPA firms.
- C) There are stiffer consequences for white-collar crimes.
- D) Audit committees must be independent.

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

185) The Sarbanes-Oxley Act requires companies to have their internal audit procedures assessed at least

- A) monthly.
- B) quarterly.
- C) annually.
- D) at any time they choose.

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

186) The Sarbanes-Oxley Act allows for a maximum of _____ years of imprisonment for knowingly destroying or creating documents to obstruct any federal investigation.

- A) 20
- B) 15
- C) 10
- D) 5

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

187) What is a business philosophy that focuses on providing customers with superior products and services?

- A) IFRS
- B) TQM
- C) ERP
- D) XBRL

Answer: B

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

188) What is a system that requires suppliers to deliver materials at the exact time the materials are needed?

- A) JIT
- B) TQM
- C) ISO
- D) ERP

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

189) ISO 9001:2008 is a(n)

- A) effective exchange of information between vendors and customers.
- B) system where production occurs only when needed.
- C) software system which integrates all departments.
- D) certification that a company complies with international quality standards.

Answer: D

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

190) Which of the following is a software system that integrates all of a company's departments?

- A) ERP
- B) Total Integrated Software
- C) JIT
- D) TQM

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

191) Companies that wish to demonstrate their commitment to international quality standards guidelines may become certified by what organization?

- A) SEC
- B) IFRS
- C) IMA
- D) ISO

Answer: D

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

192) Which of the following methods cuts throughput time?

- A) XBRL
- B) IFRS
- C) JIT
- D) ISO

Answer: C

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

193) Which type of company utilizes managerial accounting?

- A) Service
- B) Manufacturers
- C) Retailers
- D) All of the above

Answer: D

Diff: 1

LO: 1-5

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

194) CPA firms are permitted to provide which of the following services to audit clients?

- A) Tax preparation
- B) Information systems design
- C) Consulting
- D) Bookkeeping

Answer: A

Diff: 2

LO: 1-5

EOC: E1-12A; E1-17B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

195) The philosophy that centers on production as needed is known as

- A) supply-chain management.
- B) TQM.
- C) ERP.
- D) JIT.

Answer: D

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

196) What is the business philosophy of providing superior goods and services?

- A) TQM
- B) Supply-chain management
- C) ERP
- D) JIT

Answer: A

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

197) What would a company need to conduct when considering whether to install an ERP system or not?

- A) TQM survey
- B) cost-benefit analysis
- C) JIT survey
- D) ISO 9001:2000 survey

Answer: B

Diff: 2

LO: 1-5

EOC: P1-24A; P1-29B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

198) Which of the following would have the least effect on a cost-benefit analysis?

- A) Steadily rising prices
- B) Rapidly declining prices
- C) Constant prices
- D) None of the above

Answer: C

Diff: 2

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

199) Which of the following is **not** used in a cost-benefit analysis?

- A) Future benefits to be received from project
- B) Amounts for future costs of project
- C) Book value of past investment in equipment
- D) Amount needed to invest in project initially

Answer: C

Diff: 2

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Reflective thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

200) Torque Engine Company is considering opening a plant in China. It will cost \$3,500,000 to set up the plant and \$750,000 to train employees. An additional \$100,000 will be spent to build relationships with the local suppliers. The company anticipates gross profit of \$4,400,000 from this new plant. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$150,000.
- B) Benefits outweigh costs by \$150,000.
- C) Costs outweigh benefits by \$50,000.
- D) Benefits outweigh costs by \$50,000.

Answer: D

Diff: 3

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

201) Country Western Clothing Outfitters is considering investing in an inventory tracking system. It will have \$10,000 in software costs and \$8,000 in employee training costs. Computer hardware also needs to be upgraded for the system; the hardware upgrades are expected to be \$12,000. The expected benefits from the inventory tracking system should be \$28,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$2,000.
- B) Benefits outweigh costs by \$2,000.
- C) Costs outweigh benefits by \$10,000.
- D) Benefits outweigh costs by \$10,000.

Answer: A

Diff: 3

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

202) Pete's Cola Company is investigating the possibility of adopting a lean thinking philosophy throughout their organization. Estimated costs to set up the computer system are \$1,650,000; training employees in lean operations is estimated to cost \$175,000; and the general expenses of establishing the program are estimated at \$315,000. The estimated value of the potential savings is \$1,975,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$150,000.
- B) Benefits outweigh costs by \$150,000.
- C) Costs outweigh benefits by \$165,000.
- D) Benefits outweigh costs by \$165,000.

Answer: C

Diff: 3

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

203) Gilmore Corporation is investigating the possibility of adopting a lean thinking philosophy in its manufacturing facilities. The plant manager has done a cost-benefit analysis and has found that the costs of the lean production program exceed the benefits by \$115,000. You analyze the situation and make some adjustments to the cost estimates. After doing your analysis, you find that costs still outweigh benefits by less than 5%. Which of the following choices are possible strategies managerial accountants could implement to enhance the operational effectiveness at the manufacturing facilities?

- A) Consider dropping the plan.
- B) Look for ways to lessen costs.
- C) Re-evaluate the value of benefits.
- D) All of the above should be considered.

Answer: D

Diff: 2

LO: 1-5

EOC: P1-26A; P1-31B

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

204) Johnson Scooter Company is considering whether or not to expand into a new area of the United States. They produce high-performance gas scooters with moderate gas mileage, but have developed a new battery technology that combines a small amount of electrical energy with the existing gas power. This new technology will significantly increase the fuel economy of their bikes. They will need to spend \$5,075,000 to retrofit a building to incorporate the new fuel-saving technology. New worker training will cost \$1,984,000. Other expenses involved to set up and run the new plant are \$332,000. The CEO anticipates that, with gas price increases, the profit potential of this expansion is \$7,588,000. Do the benefits outweigh the costs, or do the costs outweigh the benefits, and by how much?

Answer:

Sales from expansion	\$7,588,000
Less costs:	
Cost to retrofit a building	\$(5,075,000)
New worker training	\$(1,984,000)
Other plant expenses	\$(332,000)
Benefits outweigh costs by	\$197,000

Diff: 2

LO: 1-5

EOC: P1-24A; P1-25A; P1-29B; P1-30B

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.

205) Match the appropriate terms with the correct definitions.

Definition	Correct answer		Term
1. The ability to meet the needs of the present without compromising the ability of future generations to meet their own needs		a.	SOX
2. A philosophy and business strategy of manufacturing without waste.		b.	ERP
3. Software systems that can integrate all of a company's worldwide functions, departments, and data into a single system.		c.	Sustainability
4. A data tagging system that enables companies to release financial and business information in a format that can be accessed over the internet.		d.	JIT
5. An organization which supports and issues quality-related certifications.		e.	IFRS
6. Set of standards which may be adopted for all publicly traded companies and may differ from GAAP.		f.	Lean thinking
7. A congressional act that enhances internal control and financial Reporting requirements and establishes new regulatory requirements for publicly traded companies and their independent auditors.		g.	ISO
8. A system where production is triggered by orders (demand).		h.	XBRL

Answer:

Definition	Correct answer	Term
1. The ability to meet the needs of the present without compromising the ability of future generations to meet their own needs	c.	Sustainability
2. A philosophy and business strategy of manufacturing without waste.	f.	Lean production
3. Software systems that can integrate all of a company's worldwide functions, departments, and data into a single system.	b.	ERP
4. A data tagging system that enables companies to release financial and business information in a format that can be accessed over the internet.	h.	XBRL
5. An organization which supports and issues quality-related certifications.	g.	ISO
6. Set of standards which may be adopted for all publicly traded companies and may differ from GAAP.	e.	IFRS
7. A congressional act that enhances internal control and financial Reporting requirements and establishes new regulatory requirements for publicly traded companies and their independent auditors.	a.	SOX
8. A system where production is triggered by orders (demand).	d.	JIT

Diff: 2

LO: 1-5

EOC: S1-11

AACSB: Analytical thinking

Learning Outcome: Define and use cost-volume-profit analysis to analyze the effects of changes.