

Chapter 1--Introduction to Managerial Accounting

Student: _____

1. Which of the following is *not* true about knowledge in the business environment?
 - A. It is the same as data or information.
 - B. It is the value added from shared information.
 - C. It includes both quantitative and qualitative information.
 - D. It must be managed in order for a company to remain competitive.

2. Which of the following statements is *not* true regarding enterprise resource planning (ERP)?
 - A. It integrates traditional accounting information systems with other information systems.
 - B. It can be customized to provide specific and relevant information to different types of users.
 - C. It has evolved in the past few years to address the shortcomings of traditional accounting information systems.
 - D. It captures quantitative but not qualitative information.

3. ERP systems capture:
 - A. only qualitative data.
 - B. only quantitative data.
 - C. both qualitative and quantitative data.
 - D. the same information as traditional accounting information systems.

4. An example of *qualitative* data is:
 - A. warranty claims.
 - B. customer satisfaction.
 - C. net income.
 - D. budgeted hours.

5. An example of *quantitative* data is:
 - A. company reputation.
 - B. number of customer complaints.
 - C. Employee satisfaction.
 - D. product quality.

6. Decision-makers should consider:

- A. only qualitative factors.
- B. only quantitative factors.
- C. both quantitative and qualitative factors.
- D. only sunk costs.

7. The main focus of managerial accounting is:

- A. decision making.
- B. the preparation of financial statements.
- C. the preparation of budgets.
- D. documenting cash flows.

8. Which of the following statements is true?

- A. External and internal users of accounting information have exactly the same information needs.
- B. Financial accounting is less flexible than managerial accounting.
- C. Managerial accounting provides the best information to external users.
- D. Managerial accounting emphasizes on the organization as a whole more than financial accounting.

9. Which of the following is *not* an example of an external user of accounting information?

- A. Potential and existing stockholders
- B. Government taxing agencies
- C. Potential and existing creditors
- D. Management

10. Which of the following is an example of an internal user of accounting information?

- A. Suppliers
- B. Creditors
- C. Managers
- D. Federal tax agency

11. Which of the following is a characteristic of managerial accounting?

- A. It is used primarily by external users.
- B. It often lacks flexibility.
- C. It is often future-oriented.
- D. The information it provides is extremely precise.

12. Which of the following is true regarding managerial accounting?

- A. It often emphasizes on segments rather than the organization as a whole.
- B. It must be prepared as according to generally accepted accounting principles.
- C. Its primary focus is on providing information to external users.
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13. Which of the following is *not* one of the three primary activities of managers?

- A. Budgeting activities
- B. Planning activities
- C. Operating activities
- D. Controlling activities

14. ____ involve(s) the development of short-terms objectives and goals.

- A. Controlling activities
- B. Strategic planning
- C. Operational planning
- D. Financial activities

15. ____ addresses long-term questions of how a company distinguishes itself from its competitors.

- A. Operational planning
- B. Strategic planning
- C. Internal planning
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16. A company's decision on where to locate a new factory is most likely a result of:

- A. operating activities.
- B. operational planning.
- C. strategic planning.
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17. Which manager activity would address the decision on whether or not to accept a special order within the next few days?

- A. Sales activity
- B. Strategic planning activity
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18. All of the following are examples of operating activities except:

- A. decisions on whether or not to schedule overtime for employees.
- B. decisions on what price to charge for a product.
- C. decisions on whether or not to accept a special order.
- D. decisions on whether actual outcomes were similar to desired outcomes.

19. ____ decides how much inventory should be kept on hand by the business.

- A. Finance manager
- B. Operations/production manager
- C. Marketing manager
- D. Human resource manager

20. ____ decides whether a company should borrow money or issue stock as a way to raise capital.

- A. Human resource manager
- B. Operations/production manager
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- D. Marketing manager

21. ____ decides whether or not a company should lease or buy an expensive manufacturing equipment.

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22. A(n) ____ would most likely decide whether or not employees need to work overtime in order to fill a special order.

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23. ____ would most likely be involved in product packaging decisions.

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24. A(n) _____ would most likely be in charge of deciding on the type of benefit package an employee receives.
- A. Finance manager
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25. The primary role of today's managerial accountant is to:
- A. enter data into the accounting system.
 - B. collect data.
 - C. analyze information and create knowledge.
 - D. prepare tax returns.
26. Which of the following statements about decision-making is true?
- A. Risk should not be taken into account.
 - B. Objectives should be quantitative and not qualitative.
 - C. Opportunity cost should be considered.
 - D. Sunk costs should usually be taken into account.
27. In the decision-making process, an example of a quantitative measure would include:
- A. employee morale.
 - B. product satisfaction.
 - C. customer service.
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28. Relevant costs are costs that:
- A. do not differ between alternatives.
 - B. may not be eliminated by choosing one alternative over another.
 - C. have already been incurred.
 - D. differ between alternatives.
29. Costs that differ between alternatives are called:
- A. sunk costs.
 - B. irrelevant costs.
 - C. relevant costs.
 - D. unavoidable costs.

30. Mary Ann is trying to decide whether to fly to Florida or New York. The cost of her ticket will be the same either way. The cost of the ticket is an example of:

- A. sunk cost.
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- B. costs that will occur in the future.
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- A. are sunk costs.
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33. When making a decision, which of the following should *not* be considered?

- A. Relevant costs
- B. Opportunity costs
- C. Sunk costs
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34. Which of the following is *not* true with regard to opportunity costs?

- A. They are the benefits forgone by selecting one alternative over another.
- B. They are relevant.
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35. You are now considering your housing options for next semester. If the cost of a dorm room and the cost of an apartment are exactly the same, housing costs are:

- A. sunk costs.
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36. You are now considering your housing options for next semester. If the cost of a dorm room and the cost of an apartment are the same, but the apartment is larger, then:

- A. both cost and size are relevant.
- B. neither cost nor size is relevant.
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39. Which of the following should *not* be taken into account in decision-making?

- A. Risk
- B. Ethical considerations
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40. Which of the following statements is *true* regarding ethics in decision-making?

- A. Since most business decisions are simply a matter of economics, ethical considerations should be ignored.
- B. Decision-making can have an ethical as well as an economic impact.
- C. Managerial accountants do not face ethical issues.
- D. Business managers will always agree on ethical choices.

41. Accounting information systems generate both monetary and non-monetary accounting information. List two examples of each type of accounting information.

42. How has the automation of accounting information altered the role of the managerial accountant?

43. Identify four internal and external users of accounting information. Provide a specific example of how accounting information might be used by each.

44. Discuss how a managerial accounting report prepared for an internal user might differ from a financial accounting report prepared for an external user.

45. Managers are responsible for numerous activities including planning, operating, and controlling.

Define these three types of activities and provide at least one example of each.

46. Select one of the following functional managers and provide an example of the type of accounting information that they might request from the managerial accountant: marketing manager, operations/production manager, human resource manager, or finance manager.

47. Select one of the following functional managers and discuss *how* they might use accounting information in their managerial role: marketing manager, operations/production manager, human resource manager, or finance manager.

48. Describe the role of the managerial accountant within an organization.

49. Grant Enterprises is considering the introduction of a new product. The marketing and production departments have begun informal discussions about its design, production, and sales. List three examples of accounting information that the marketing and production managers would find useful in their meeting.

50. You are trying to decide what to do during your next school break. One campus group is planning a trip to Jacksonville Beach. Another is planning a ski trip to Snowmass. Many students will be going home to see family, and others will remain on campus. List three factors that you might consider in making your decision.

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Factors	Xenabox 1000	BigScreen 1050
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Required:

- a. Define your problem related to the information above.
- b. What information above would you consider relevant to the decision? Why?
- c. What information above would you consider *not* relevant to the decision? Why?
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- f. Which alternative would you choose? Why?

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- C. Managerial accountants do not face ethical issues.
- D. Business managers will always agree on ethical choices.

41. Accounting information systems generate both monetary and non-monetary accounting information. List two examples of each type of accounting information.

Monetary accounting information generated by an accounting information system includes sales, net income, total assets, and costs of product or services.

Non-monetary accounting information generated by an accounting information system includes: number of budgeted labor hours, the number of units necessary to break even, and the time it takes to manufacture a product.

42. How has the automation of accounting information altered the role of the managerial accountant?

Automation in the present-day organizations allows clerical staff to gather and input accounting information. Most computer systems have the ability to generate data reports. Therefore, the managerial accountant is able to spend time monitoring and interpreting the reports generated by the automated system. They also aid managers in the decision-making process and perform more financial planning and modeling.

43. Identify four internal and external users of accounting information. Provide a specific example of how accounting information might be used by each.

Examples of internal users and the manner in which they use accounting information could include:

- Production manager: assess the efficiency of the production process.
- Marketing manager: help set a proper sales price for an item.
- Regional manager: decide whether to maintain or close individual divisions.
- Finance personnel: plan capital expenditures.

Examples of external users and the manner in which they use accounting information could include:

- Stockholders or potential investors: help analyze the profitability of an organization.
- Donors of non-profit organizations: help determine the future donations, identify use of prior donations.
- Bank officials or creditors: decide whether to lend money to an organization.
- Government agencies: assess compliance with laws and regulations (e.g. taxes).

44. Discuss how a managerial accounting report prepared for an internal user might differ from a financial accounting report prepared for an external user.

Managerial accounting reports prepared for internal users are generally characterized by the following:

- They do not have to follow standardized rules set by an authoritative body.
 - They are typically more detailed than financial reports.
 - They are more future-oriented.
 - They are focused on the needs of the user.
 - They are timelier and more relevant.
- (This is not an exhaustive list.)

In contrast, **financial accounting** reports are generally characterized by the following:

- A lack of flexibility as its content is often dictated by the user.
 - The reporting of past events using historical costs.
 - The focus of reporting is on the business as a whole rather than individual segments of a company.
 - The reports are prepared in accordance with GAAP.
- (This is not an exhaustive list.)

45. Managers are responsible for numerous activities including planning, operating, and controlling.

Define these three types of activities and provide at least one example of each.

Planning activities involve the development of both short-term (operational) and long-term (strategic) objectives and goals of an organization and an identification of the resources needed to achieve them. Examples include budget preparation, capital expenditure decisions, plant expansion decisions, production plans, etc.

Operating activities involve the day-to-day operations of a business. Examples include special order decisions, pricing decisions, employee policy decisions, etc.

Controlling activities involve the motivation and monitoring of employees and the evaluation of people and other resources used in the operations of the organization. Examples include employee evaluations, bonus calculations, employee rewards, etc.

46. Select one of the following functional managers and provide an example of the type of accounting information that they might request from the managerial accountant: marketing manager, operations/production manager, human resource manager, or finance manager.

Marketing manager - product costs, advertising costs, costs of product enhancements, sales commissions, shipping costs.

Operations/Production manager - product costs, labor costs, overhead costs.

Human resource manager - production projections, labor needs.

Finance manager - cash needs, capital needs.

47. Select one of the following functional managers and discuss *how* they might use accounting information in their managerial role: marketing manager, operations/production manager, human resource manager, or finance manager.

Marketing manager - help set a proper sales price for an item, make product enhancement decisions, make advertising decisions, make distribution decisions.

Operations/Production manager - make production planning decisions, assess the efficiency of the production process.

Human resource manager - determine how many people to hire, use a cost benefit analysis to promote training on new equipment, motivate employees to perform optimally.

Finance manager - plan capital expenditures, arrange financing.

48. Describe the role of the managerial accountant within an organization.

Managerial accountants present financial information in a manner that is useful to managers within an organization. They also help managers within various functional areas to understand financial information and make better decisions. They are often involved with financial planning and financial modeling.

49. Grant Enterprises is considering the introduction of a new product. The marketing and production departments have begun informal discussions about its design, production, and sales. List three examples of accounting information that the marketing and production managers would find useful in their meeting.

Examples might include: projected product costs, breakeven figures, the effects of the new product on corporate net income, storage costs, advertising budgets, effects of outsourcing, labor costs, production capacity, and capital expenditure analysis.

50. You are trying to decide what to do during your next school break. One campus group is planning a trip to Jacksonville Beach. Another is planning a ski trip to Snowmass. Many students will be going home to see family, and others will remain on campus. List three factors that you might consider in making your decision.

Answers will vary, but may include:

- the cost of each alternative
- whether or not the student likes the students within each campus group
- does the student prefer the beach or skiing
- does the student have to study or work during the break
- the student's financial situation

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Factors	Xenabox 1000	BigScreen 1050
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Cost	\$400	\$325
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Required:

- a. Which of the four factors listed above are relevant to your decision?
 - b. Is the cost of your old TV relevant to your decision? Why or why not?
 - c. Which of the factors are quantitative and which are qualitative?
-
- a. The picture quality and cost are relevant since they differ among the two alternatives.
 - b. The cost of the old TV is a sunk cost and therefore is not relevant to the current decision.
 - c. Only the picture quality variable is qualitative, the rest are quantitative.

52. A friend has informed you of a part-time job for which you are well-qualified. It would begin next semester and require working 20 hours a week at a rate of \$35 per hour. You would have to commute 2 hours round trip four days a week to work. You have already registered for 18 credit hours (6 classes) next semester, and you have been told that each of the classes is very demanding, requiring projects and extensive study time. If you complete these 18 hours, you will graduate. You are only taking 12 credit hours this semester. You have enough money for tuition (\$100 per credit hour) and room and board but would love some extra spending money.

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 - c. What information above would you consider *not* relevant to the decision? Why?
 - d. What other factors not provided above might be relevant to the decision?
 - e. What are some possible alternatives?
 - f. Which alternative would you choose? Why?
-
- a. A well-paying part-time job is available; however, the job will most likely affect your studies. Should you accept the part-time job?
 - b. Relevant - work hours, commuting hours, hourly wages, demands for next semester, need for spending money.
Answers may vary.
 - c. Not relevant - number of hours this semester, tuition cost
Answers may vary.
 - d. Answers might include: Would the work hours conflict with your class schedule? Is the job related to your major or future career plans? Do you have a reliable car to make the commute in? Can you drop any classes?
 - e. Do not accept the job; accept the job and drop some classes; accept the job and do not drop any classes
 - f. Answers will vary depending upon the "why."

