

Multiple Choice

1. The two main managers' responsibilities are:

- A) producing output and constructing a budget.
- B) producing output and meeting the budget.
- C) achieving objectives and constructing a budget.
- D) achieving objectives and meeting the budget.

Ans: D

2. Which of the following skills is *not* needed by an effective manager?

- A) The ability to identify and monitor vital systems
- B) The ability to maximize effectiveness of resources
- C) The ability to balance conflicting objectives
- D) All of these are needed for effective management.

Ans: D

3. Which of the following has grown the least (or less than 5%) since 2001?

- A) National health expenditures
- B) Per capita health care spending
- C) Life expectancy
- D) National health expenditures as a share of GDP

Ans: C

4. All of the following have occurred since 2001, *except*:

- A) an increase in national health expenditures.
- B) an increase in out-of-pocket costs as a share of national health expenditures.
- C) an increase in national health expenditures as a share of GDP.
- D) an increase in Medicare outlays.

Ans: B

5. Which of the following has decreased since 2001?

- A) National health expenditures
- B) Per capita health care spending
- C) Life expectancy
- D) National health expenditures as a share of GDP

E) Out-of-pocket costs as a share of national health expenditures

Ans: E

6. The expense that accounts for the largest percentage of hospital costs is:

A) salaries and benefits.

B) professional fees.

C) utilities.

D) prescription drugs.

E) malpractice.

Ans: A

7. Profit equals:

A) assets minus liabilities.

B) revenue minus liabilities.

C) revenue minus expenses.

D) assets minus expenses.

Ans: C

8. Which of the following terms is *not* equivalent to “profit”?

A) Net income

B) Excess revenue over expenses

C) Addition to the fund balance

D) Equity

Ans: D

9. Which of the following activities does *not* occur during the budget estimation process?

A) Forecasting quantity of output

B) Estimating total revenue

C) Estimating total expense

D) Evaluating the feasibility of the budget

E) Identifying accountability when actual expenses exceed budget targets

Ans: E

10. Which of the following activities does *not* occur during the budget facilitation and control process phase?

- A) Communication of organization goals and resource constraints
- B) Continuous monitoring of performance
- C) Initiation of corrective action when budget targets are not realized
- D) Establishing accountability when actual expenses exceed budget targets

Ans: D

11. Which part of a system is where resources enter the production system?

- A) Input
- B) Throughput
- C) Output
- D) Outcome
- E) Feedback

Ans: A

12. The two parts of a system that managers have the greatest control over are:

- A) inputs and throughputs.
- B) throughputs and outputs.
- C) outputs and outcomes.
- D) inputs and outcomes.

Ans: B

13. Which of the following occurs during the throughput process?

- A) Inputs are transformed into outputs.
- B) Inputs enter into the production processes.
- C) Goods and services are produced.
- D) Results are realized.
- E) Deviations from expected or desired results are recognized and communicated to other parts of the system.

Ans: A

14. The objective of the prospective phase of the budgeting process is to:

- A) estimate revenue and expenses for the upcoming fiscal year or quantify the amount of resources that should be consumed.
- B) estimate revenue and expenses for the upcoming fiscal year or control resources as they are consumed.
- C) facilitate and control processes or control resources as they are consumed.
- D) facilitate and control processes or examine the resources that were consumed.

E) evaluate processes or examine the resources that were consumed.

Ans: A

15. The objective of the concurrent phase of the budgeting process is to:

A) estimate revenue and expenses for the upcoming fiscal year or quantify the amount of resources that should be consumed.

B) estimate revenue and expenses for the upcoming fiscal year or control resources as they are consumed.

C) facilitate and control processes or control resources as they are consumed.

D) facilitate and control processes or examine the resources that were consumed.

E) evaluate processes or examine the resources that were consumed.

Ans: C

16. Evaluating the resources consumed and the performance of management is the objective of which phase of budgeting?

A) Prospective

B) Concurrent

C) Retrospective

D) All of these are correct.

Ans: C

17. Which of the following groups is primarily tasked with focusing on the work of departments and ensuring their effectiveness?

A) Senior management

B) Finance

C) Operating managers

D) Planning

E) Marketing

Ans: C

18. The role of senior management is to:

A) provide vision and set organizational goals.

B) determine organizational constraints and highlight trade-offs.

C) ensure the effectiveness and efficiency of production processes.

D) All of these are correct.

Ans: A

19. The best budget to use if managers want to control throughputs is:

- A) an incremental budget.
- B) a flexible budget.
- C) a zero-base budget.
- D) a program budget.
- E) an activity-based budget.

Ans: E

20. Activity-based budgets are best if managers want to focus attention and control on:

- A) inputs.
- B) throughputs.
- C) outputs.
- D) outcomes.
- E) feedback.

Ans: B

21. The primary focus of a flexible budget is:

- A) input use.
- B) control of production processes.
- C) efficiency.
- D) effectiveness.

Ans: C

True/False

1. True or False? Financial skills are only needed by personnel working in accounting, finance, and senior management.

Ans: False

2. True or False? The primary purpose of a budget is to provide estimates of future revenues and expenses.

Ans: False

3. True or False? The primary purpose of a budget is to provide an operating plan to facilitate management.

Ans: True

4. True or False? In the long term, organizations must be effective and efficient to survive.

Ans: True

5. True or False? The role of management and the budget is to maximize the value of the organization.

Ans: True

6. True or False? Moral hazard is the tendency of people to over-consume a good or service when they do have to pay the entire cost of consumption.

Ans: False

7. True or False? The objective of planning in the budget process is to determine whether forecasted revenues will exceed budgeted expenses.

Ans: False

8. True or False? The objective of facilitation and control in the budget process is to ensure actual operations conform as closely as possible to the approved budget.

Ans: True

9. True or False? The evaluation phase of the budget process occurs after the close of the budget year to ensure managers have an incentive to meet budget targets.

Ans: True

10. True or False? The master budget is the budget for the organization and aggregates the budgets of all departments.

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Test Bank

Ans: True