

Test Bank for Managerial Accounting 7th Braun

TEST BANK SAMPLE PREVIEW

PUBLISHER

Pearson

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2024

ISBN

9780137948444

RESOURCE TYPE

Test Bank

Managerial Accounting, 7e (Braun et al.)
Chapter 1 Introduction to Managerial Accounting

1.1 Identify managers' three primary responsibilities

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: Describe the basics of managerial accounting and its function within an organization.

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: Describe the basics of managerial accounting and its function within an organization.

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: Describe the basics of managerial accounting and its function within an organization.

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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-1

EOC: QC1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

6) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

8) _____ 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: Describe the basics of managerial accounting and its function within an organization.

9) 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: Describe the basics of managerial accounting and its function within an organization.

10) 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: Describe the basics of managerial accounting and its function within an organization.

11) 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: Describe the basics of managerial accounting and its function within an organization.

12) 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: Describe the basics of managerial accounting and its function within an organization.

13) 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: Describe the basics of managerial accounting and its function within an organization.

14) 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: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

15) 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: 1

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

16) 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: Describe the basics of managerial accounting and its function within an organization.

17) 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: Describe the basics of managerial accounting and its function within an organization.

18) 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: Describe the basics of managerial accounting and its function within an organization.

19) 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: Describe the basics of managerial accounting and its function within an organization.

20) 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: Describe the basics of managerial accounting and its function within an organization.

21) 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: Describe the basics of managerial accounting and its function within an organization.

22) 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: Describe the basics of managerial accounting and its function within an organization.

23) 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: 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: Describe the basics of managerial accounting and its function within an organization.

24) The management accountant at Global Enterprises, Inc. 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 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: 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: Describe the basics of managerial accounting and its function within an organization.

25) The management accountant at Bayside Cycle Shoppe developed a budget to establish the sales goals at the store in the prior year. In the current year, 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 the prior year.

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: The management accountant at Bayside 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: Describe the basics of managerial accounting and its function within an organization.

26) The management accountant at Baytown Paper Company 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 provided 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: The management accountant at Baytown Paper Company 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 a new or revised marketing strategy.

Diff: 3

LO: 1-1

EOC: S1-1; A1-32-1

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

27) Planning, directing and controlling allows management to make decisions regarding:

- A) Preparation of Financial Statements
- B) Actual results compared to the budget
- C) Identify alternative courses of action and choosing among them
- D) Assist managers in communicating effectively

Answer: C

Explanation: Management's responsibilities include identifying alternative courses of actions and. Selecting one of them which is a major outcome of effective decision-making.

Diff: 2

LO: 1-1

EOC: S1-1; QC1-1

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

28) Management uses performance reports to compare what data?

- A) Taxes to the financial statements
- B) Actual data vs. planned data
- C) Costs vs. sales
- D) Cost behaviors vs. sales

Answer: B

Explanation: The management team uses the performance reports to assess whether the actual results were better or worse than planned expectations.

Diff: 1

LO: 1-1

EOC: S1-1; QC1-1

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

29) What responsibility does a manager fulfill when determining how many units of a product they need to sell in order to cover their costs and break-even?

- A) Determining Unit Cost
- B) Identifying different cost behaviors
- C) Different types of product costs
- D) Compare actual costs to budgeted costs

Answer: A

Explanation: Managers need to accurately determine the cost to make 1 unit in order to determine how many units they need to sell in order to break-even and cover their costs.

Diff: 2

LO: 1-1

EOC: S1-1; QC1-2

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

30) Management accounting is a profession that requires _____ in management decision making to assist management in the formulation and implementation of an organization's strategy.

- A) controlling
- B) planning
- C) budgeting
- D) partnering

Answer: D

Diff: 1

LO: 1-1

EOC: S1-1; QC1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

31) If a company wants to assist managers in making more effective managerial accounting decisions, which 3 primary responsibilities should be integrated throughout their decision-making process and why?

A) An effective manager's 3 primary decision-making responsibilities should include directing, advising and planning to ensure the best decisions are implemented.

B) An effective manager's 3 primary decision-making responsibilities should include directing, controlling and planning to ensure the best decisions are implemented.

C) An effective manager's 3 primary decision-making responsibilities should include directing, collecting data and planning to ensure the best decisions are implemented.

D) An effective manager's 3 primary decision-making responsibilities should include directing, advising and assessment to ensure the best decisions are implemented.

Answer: B

Diff: 2

LO: 1-1

EOC: S1-1; QC1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

32) Once a company accurately calculates the unit cost of a product it allows them the opportunity to more accurately set a selling price for the product which will have what impact on the income statement?

A) The profit should increase because the unit cost will be the primary driver in setting the best selling price.

B) The profit should decrease because the unit cost of a product will be the primary driver in setting the best selling price.

C) The profit should remain the same because the unit cost of the product will be the primary driver in setting the best selling price.

D) The profit is not determined by the difference between the unit cost and the unit selling price.

Answer: A

Diff: 2

LO: 1-1

EOC: S1-1; QC1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

33) 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 Starbucks 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 Starbucks adjusts the menu to reflect local tastes and preferences.
- c. Controlling: An example of controlling is when the manager of the local Starbucks compares the actual number of beverages served over the past week to the budgeted number of beverages.

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

Diff: 2

LO: 1-1

EOC: S1-1

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

34) 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: Describe the basics of managerial accounting and its function within an organization.

1.2 Distinguish financial accounting from managerial accounting

1) Managerial accounting develops reports that assist internal parties to effectively and efficiently operate the company.

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

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

Answer: FALSE

Diff: 1

LO: 1-2

EOC: E1-17B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-2

EOC: E1-17B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

4) 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: Describe the basics of managerial accounting and its function within an organization.

5) 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: Describe the basics of managerial accounting and its function within an organization.

6) 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: Describe the basics of managerial accounting and its function within an organization.

7) 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: Describe the basics of managerial accounting and its function within an organization.

8) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

10) 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: Describe the basics of managerial accounting and its function within an organization.

11) 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: Describe the basics of managerial accounting and its function within an organization.

12) 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: Describe the basics of managerial accounting and its function within an organization.

13) Managerial accounting reports are prepared whenever they are requested and contain specific data required by the managers of the company.

Answer: TRUE

Diff: 1

LO: 1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

14) Managerial accounting differs from financial accounting because it focuses on future decisions rather than on historical transactions.

Answer: TRUE

Diff: 1

LO: 1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

15) How often should managerial accounting reports be prepared?

- A) Annually
- B) Quarterly
- C) Monthly
- D) As needed

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

16) 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: Describe the basics of managerial accounting and its function within an organization.

17) 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: Describe the basics of managerial accounting and its function within an organization.

18) 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: Describe the basics of managerial accounting and its function within an organization.

19) 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: Describe the basics of managerial accounting and its function within an organization.

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

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

Answer: B

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

21) 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: Describe the basics of managerial accounting and its function within an organization.

22) 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: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

23) 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 use.
- D) All of the above are true.

Answer: D

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

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

- A) Managerial accounting reports aids 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: 1

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

25) 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: Describe the basics of managerial accounting and its function within an organization.

26) 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: Describe the basics of managerial accounting and its function within an organization.

27) 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: Describe the basics of managerial accounting and its function within an organization.

28) _____ 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: Describe the basics of managerial accounting and its function within an organization.

29) _____ 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: Describe the basics of managerial accounting and its function within an organization.

30) 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: Describe the basics of managerial accounting and its function within an organization.

31) In the current year, the employee at Baxtor Service Company prepared an annual report for the bank that revealed total revenue in the prior year 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 the prior year's financial performance at the company.

Which of the following describes the role of the employee at Baxtor Service Company?

- A) Managerial Accountant
- B) CFO
- C) CEO
- D) Board of Director
- E) Financial Accountant

Answer: E

Explanation: The accountant at Baxtor Service Company 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: 2

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

32) 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: 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: Describe the basics of managerial accounting and its function within an organization.

33) 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) Administrative assistant

Answer: B

Explanation: 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: Describe the basics of managerial accounting and its function within an organization.

34) There are GAAP-type standards required in the preparation of the internal managerial reports.

Answer: FALSE

Explanation: There are no GAAP-like standards or audits required for the management reports that will be used by the internal decision makers.

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

35) Because managerial accounting revolves around planning much of it focuses on the future rather than the past.

Answer: TRUE

Explanation: The GAAP financial statements focus on the past performance of the company while the management reports focus primarily on the future expectations and plans.

Diff: 1

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

36) Any information that is _____ will be included in the internal management reports.

A) relevant

B) historical

C) confidential

D) public

Answer: A

Explanation: A management report will include any information that is relevant and will assist the management team in making better decisions for the company.

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

37) 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: Describe the basics of managerial accounting and its function within an organization.

38) 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. a comparison of budgeted costs versus actual costs.
- b. tracking of safety incidents.
- c. quality costs.
- d. product line profitability.
- e. profitability by shift.

(Student examples may vary.)

Diff: 2

LO: 1-2

EOC: S1-2

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

39) In the current year, the accountant at Saturn, Inc., a national time-share company, focused on an internal sales report that illustrates the sales projections to ensure the sales representatives achieve their goals for the current year; however, the report was not prepared in accordance with GAAP. The accountant observed that the total sales produced by the sales representatives in the prior year were \$250,000,000. The accountant is in the process of establishing the new current year sales goals for the sales representatives and the accountant is concerned about the new sales goals in since the economy is problematic 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 Saturn, Inc. 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: 2

LO: 1-2

EOC: S1-2

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

40) 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: Describe the basics of managerial accounting and its function within an organization.

1.3 Describe the roles and skills required of management accountants within the organization

1) 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: Describe the basics of managerial accounting and its function within an organization.

2) 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: Describe the basics of managerial accounting and its function within an organization.

3) 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: Describe the basics of managerial accounting and its function within an organization.

4) 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: Describe the basics of managerial accounting and its function within an organization.

5) 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: Describe the basics of managerial accounting and its function within an organization.

6) 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: Describe the basics of managerial accounting and its function within an organization.

7) 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: Describe the basics of managerial accounting and its function within an organization.

8) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

10) 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: Describe the basics of managerial accounting and its function within an organization.

11) 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: Describe the basics of managerial accounting and its function within an organization.

12) The Board of Directors is made up of the same individuals that are on the Audit Committee.

Answer: FALSE

Diff: 1

LO: 1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

13) The Board of Directors is elected jointly by the CEO and CFO.

Answer: FALSE

Diff: 1

LO: 1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

14) The Board of Directors is elected by the stockholders of the company.

Answer: TRUE

Diff: 1

LO: 1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

15) 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: Describe the basics of managerial accounting and its function within an organization.

16) 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 above activities require professional judgment

Answer: D

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

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

- A) investing in new production equipment.
- B) managing corporate financing.
- C) managing the preparation of 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: Describe the basics of managerial accounting and its function within an organization.

18) Which of the following positions typically manages the company on a daily basis?

- 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: Describe the basics of managerial accounting and its function within an organization.

19) 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: Describe the basics of managerial accounting and its function within an organization.

20) 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: Describe the basics of managerial accounting and its function within an organization.

21) 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: Describe the basics of managerial accounting and its function within an organization.

22) 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: Describe the basics of managerial accounting and its function within an organization.

23) 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: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

24) 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: 1

LO: 1-3

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

25) Managerial accountants may be responsible for

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

Answer: D

Diff: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

26) 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: 1

LO: 1-3

EOC: S1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

27) Which of the following is **NOT** a technical competency that a managerial accountant needs to possess?

- A) Internal Controls
- B) Tax return preparation
- C) Decision Analysis
- D) Technology

Answer: B

Diff: 1

LO: 1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

28) 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: Describe the basics of managerial accounting and its function within an organization.

29) 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: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

30) 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: Describe the basics of managerial accounting and its function within an organization.

31) 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: Describe the basics of managerial accounting and its function within an organization.

32) Managerial accounting topics can be used in which of the following careers?

- A) Entrepreneurs
- B) Business Management
- C) Sales
- D) All of the above careers could benefit from managerial accounting.

Answer: D

Diff: 1

LO: 1-3

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

33) 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: Describe the basics of managerial accounting and its function within an organization.

34) 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: Describe the basics of managerial accounting and its function within an organization.

35) 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: 1

LO: 1-3

EOC: S1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

36) The employees at Taylor 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: Describe the basics of managerial accounting and its function within an organization.

37) The individuals at Williams 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 C and Employee D.

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: Describe the basics of managerial accounting and its function within an organization.

38) The individuals at Omega, Inc. 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 Omega, Inc.

A) CEO, CFO

B) Treasurer; Controller

C) Management Accountant; Financial Accountant

D) Internal Audit Function; Audit Committee

Answer: D

Diff: 3

LO: 1-3

EOC: S1-3; S1-4

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

39) Product-line profitability reports will show the management team which products are the most profitable and will assist the manager in deciding which products to emphasize.

Answer: TRUE

Explanation: It is extremely important for a management team to have relevant information regarding the products that are the most profitable to assist them in generating the highest profit possible.

Diff: 3

LO: 1-3

EOC: S1-4; S1-5

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

40) Cross-functional teams are not effective because each member of the team cannot talk to other members of the team.

Answer: FALSE

Explanation: The effectiveness of cross-functional teams is driven by the fact that the members of the team can address business decisions from differing viewpoints because the team members are from diverse areas of the company.

Diff: 2

LO: 1-3

EOC: S1-4; S1-5

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

41) 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: Describe the basics of managerial accounting and its function within an organization.

42) Discuss why it is important for an entrepreneur to know if their business ideas will make financial sense.

Answer: It is important for an entrepreneur to understand whether the business goals, they hope to achieve in your business are realistic and whether you can at best earn a profit and at a minimum at least break-even. It is important that any budgets are realistic and relevant to provide useful information to the entrepreneur.

Diff: 3

LO: 1-3

EOC: S1-4; S1-5

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

1.4 Describe the role of the Institute of Management Accountants (IMA) and apply its ethical standards

1) 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: Describe the basics of managerial accounting and its function within an organization.

2) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

4) The IMA issues the CMA designation.

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

5) The CMA exam consists of two parts; each part of the exam is 8 hours long.

Answer: FALSE

Diff: 1

LO: 1-4

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

6) The CMA exam reinforces auditing skills that management accountants are expected to possess.

Answer: FALSE

Diff: 1

LO: 1-4

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

7) The AICPA offers a designation of Chartered Global Management Accountant to qualifying members that possess a unique business and accounting skill set.

Answer: TRUE

Diff: 1

LO: 1-4

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

8) 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 go sightseeing.

Answer: TRUE

Diff: 2

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

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

Answer: FALSE

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

10) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-4

EOC: S1-7

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

12) 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: Describe the basics of managerial accounting and its function within an organization.

13) 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: Describe the basics of managerial accounting and its function within an organization.

14) 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: Describe the basics of managerial accounting and its function within an organization.

15) 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: Describe the basics of managerial accounting and its function within an organization.

16) The standards in the IMA Statement of Ethical Professional Practice include

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: Describe the basics of managerial accounting and its function within an organization.

17) 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: Describe the basics of managerial accounting and its function within an organization.

18) 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: Describe the basics of managerial accounting and its function within an organization.

19) 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: Describe the basics of managerial accounting and its function within an organization.

20) 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: Describe the basics of managerial accounting and its function within an organization.

21) 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: Describe the basics of managerial accounting and its function within an organization.

22) Inflating your expenses for a company-sponsored conference undermines the ethics of 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: Describe the basics of managerial accounting and its function within an organization.

23) 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: Describe the basics of managerial accounting and its function within an organization.

24) 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: Describe the basics of managerial accounting and its function within an organization.

25) An accountant who does not understand the principles of accrual-based accounting is not in compliance with which important 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: Describe the basics of managerial accounting and its function within an organization.

26) What ethical standard would you violate if you take office supplies 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: Describe the basics of managerial accounting and its function within an organization.

27) 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: 1

LO: 1-4

EOC: S1-6

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

28) 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: Describe the basics of managerial accounting and its function within an organization.

29) 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: Describe the basics of managerial accounting and its function within an organization.

30) 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: Describe the basics of managerial accounting and its function within an organization.

31) 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: Describe the basics of managerial accounting and its function within an organization.

32) 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: Describe the basics of managerial accounting and its function within an organization.

33) 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: 1

LO: 1-4

EOC: E1-14A

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

34) 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: Describe the basics of managerial accounting and its function within an organization.

35) 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: Describe the basics of managerial accounting and its function within an organization.

36) Refusing to accept gifts or favors, that could be perceived as attempting to influence your business decisions, 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: Describe the basics of managerial accounting and its function within an organization.

37) If you accept a job, when you lack the expertise to perform it adequately, you 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: Describe the basics of managerial accounting and its function within an organization.

38) Intentionally withholding relevant information, that might impact the effectiveness of the decision-making process, would be a violation of which ethical standard?

- 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: Describe the basics of managerial accounting and its function within an organization.

39) Failure to diminish 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: Describe the basics of managerial accounting and its function within an organization.

40) Employee A is the new managerial accountant at the Lakeside Restaurant. The employee complies with principles and standards that help accountants deal with ethical challenges that one 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: Describe the basics of managerial accounting and its function within an organization.

41) Employee A is the new accounting supervisor at Virginia Distributors. The new supervisor requires all accountants to join the IMA and expects all accountants to commit to ethical professional practice. The supervisor is asked to review the previous quarter's audit reports that were completed by the CPA firm. The supervisor reviews the reports and 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 employee failed to participate in continuing education requirements?

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

Answer: A

Explanation: 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: Describe the basics of managerial accounting and its function within an organization.

42) The IMA's ethical principles does **NOT** include which of the following?

- A) Fairness
- B) Objectivity
- C) Responsibility
- D) Accuracy

Answer: D

Explanation: The IMA's ethical principles include honesty, fairness, objectivity and responsibility. The IMA's competence principles include accuracy as a requirement

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

43) The IMA's credibility principle requires that managerial accountants communicate professional limitations that would preclude the successful performance of an activity.

Answer: TRUE

Explanation: The IMA's credibility factor includes a requirement that managerial accountants disclose any limitations or constraints that might preclude the IMA member from successfully completing an assignment.

Diff: 1

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

44) At the root of all business relations is

A) trust.

B) equity.

C) accuracy.

D) fairness.

Answer: A

Explanation: All business relations are rooted in the concept of trust, without trust the ability to make important business decisions is undermined.

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

45) Employee A oversees the accounting operations at Benson Distributors. The employee suspects an accounting manager is committing fraud because the accounting manager in the operations division submitted a report that had incorrect account receivable totals. Employee A checks the actual receivable totals against the forecasted totals and determines that fraud 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 Employee A take regarding the information discovered about the accounting manager in the operations division?

Answer: Employee A should comply with Benson 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 one needs to take regarding this situation, Employee A should consult with an immediate supervisor to report the unethical or illegal issue.

Diff: 3

LO: 1-4

EOC: S1-8; S1-10

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

46) 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 of the CEO who is suspected of embezzling funds from the organization. The management accountant should call the IMA's confidential "Ethics Hotline" and discuss the dilemma. The management accountant should also consult an attorney regarding the legal obligations and rights of employees. 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: Describe the basics of managerial accounting and its function within an organization.

47) Discuss why it is difficult at times to engage in ethical behavior because the consequences of your actions might make that decision more difficult.

Answer: Ethical behavior is not always an easy decision to make because at times the path is not always that clear cut. The fear of reprisal or negative outcomes may be an influential factor in making that decision. Therefore, it is extremely important that all management accounts are familiar with the IMA's Statement of Ethical Professional Practice.

Diff: 2

LO: 1-4

EOC: S1-8; S1-10

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

1.5 Discuss the business trends and regulations affecting management accounting

1) 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: Describe the basics of managerial accounting and its function within an organization.

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

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

3) The Sarbanes-Oxley Act does not allow CPA firms to provide certain non-audit services to companies during the same period of time in which they are providing the audit.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-9; S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

4) The management philosophy of streamlined and cost effective production is used by many U.S. companies to reduce costs, improve quality, and increase levels of production.

Answer: TRUE

Diff: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

5) 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: Describe the basics of managerial accounting and its function within an organization.

6) 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: Describe the basics of managerial accounting and its function within an organization.

7) Streamline 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: Describe the basics of managerial accounting and its function within an organization.

8) 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: Describe the basics of managerial accounting and its function within an organization.

9) 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: Describe the basics of managerial accounting and its function within an organization.

10) Internal auditors conduct the independent audit function of the company and issue financial statements on the company's behalf.

Answer: FALSE

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

11) A wave of accounting scandals beginning in the early 2000s 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: Describe the basics of managerial accounting and its function within an organization.

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

- A) AICPA
- 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: Describe the basics of managerial accounting and its function within an organization.

13) 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: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

14) All of the following are advantages of an ERP **except**

- A) streamlines operations which saves money for the company.
- B) automates reporting which makes the role of the managerial accountant obsolete in turn saving money.
- C) helps the company respond to changes quickly.
- D) replaces different software allowing for more uniformity across functions and regions.

Answer: B

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

15) ERP stands for

- A) Entity Replacement Product.
- B) Enclosed Resource Placement.
- C) Enterprise Resource Planning.
- D) Edwin R. Perry, the man that created the first system.

Answer: C

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

16) The Sarbanes-Oxley Act of 2002 was enacted as a result of

- A) high ethical standards passed down by leaders of the Big 4 accounting firms.
- B) corporate accounting scandals that left investors with little confidence in corporate financial reporting.
- C) auditors being bribed to provide a clean audit report for corporations.
- D) Congress needing to pass a bill in an election year.

Answer: B

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

17) 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: Describe the basics of managerial accounting and its function within an organization.

18) 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: Describe the basics of managerial accounting and its function within an organization.

19) 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: Describe the basics of managerial accounting and its function within an organization.

20) 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: Describe the basics of managerial accounting and its function within an organization.

21) 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: Describe the basics of managerial accounting and its function within an organization.

22) Which of the following is not a factor of the "triple bottom line"?

- A) Philanthropy
- B) People
- C) Profit
- D) Planet

Answer: A

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

- 23) Sustainability refers to the ability of a system to
- A) maintain its own viability.
 - B) endure without giving way.
 - C) sparingly use resources as to not deplete or permanently damage them.
 - D) All of the above are correct.

Answer: D

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

- 24) Managerial accountants are employed by which type of companies?
- A) Boat makers
 - B) Hospitals
 - C) Retail stores selling furniture
 - D) All of these companies could benefit from a managerial accountant.

Answer: D

Diff: 1

LO: 1-5

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

- 25) 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: Describe the basics of managerial accounting and its function within an organization.

26) 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: 1

LO: 1-5

EOC: QC1-8; S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

27) 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: 1

LO: 1-5

EOC: S1-11

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

28) 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: Describe the basics of managerial accounting and its function within an organization.

- 29) 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: Describe the basics of managerial accounting and its function within an organization.

- 30) 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: Describe the basics of managerial accounting and its function within an organization.

- 31) 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: Describe the basics of managerial accounting and its function within an organization.

32) 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: Describe the basics of managerial accounting and its function within an organization.

33) 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: Describe the basics of managerial accounting and its function within an organization.

34) 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: Describe the basics of managerial accounting and its function within an organization.

35) 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: Describe the basics of managerial accounting and its function within an organization.

36) 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: Describe the basics of managerial accounting and its function within an organization.

37) 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: Describe the basics of managerial accounting and its function within an organization.

38) 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: Describe the basics of managerial accounting and its function within an organization.

39) Lawton Corporation is considering opening a plant in China. It will cost \$3,300,000 to set up the plant and \$740,000 to train employees. An additional \$170,000 will be spent to build relationships with the local suppliers. The company anticipates gross profit of \$4,700,000 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 \$660,000.
- B) Benefits outweigh costs by \$660,000.
- C) Costs outweigh benefits by \$490,000.
- D) Benefits outweigh costs by \$490,000.

Answer: D

Diff: 3

LO: 1-5

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

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

40) Dress Designers, Inc. is considering investing in an inventory tracking system. It will have \$10,400 in software costs and \$8,800 in employee training costs. Computer hardware also needs to be upgraded for the system; the hardware upgrades are expected to be \$12,300. 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 \$3,500.
- B) Benefits outweigh costs by \$3,500.
- C) Costs outweigh benefits by \$8,800.
- D) Benefits outweigh costs by \$8,800.

Answer: A

Diff: 3

LO: 1-5

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

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

41) Watson Foods, Inc. is investigating the possibility of adopting a streamlined cost effective thinking philosophy throughout their organization. Estimated costs to set up the computer system are \$1,700,000; training employees in streamlined operations is estimated to cost \$179,000; and the general expenses of establishing the program are estimated at \$310,000. The estimated value of the potential savings is \$1,940,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$61,000.
- B) Benefits outweigh costs by \$61,000.
- C) Costs outweigh benefits by \$249,000.
- D) Benefits outweigh costs by \$249,000.

Answer: C

Diff: 3

LO: 1-5

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

AACSB: Analytical thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

42) Allbright Enterprises is investigating the possibility of adopting a cost effective philosophy in its manufacturing facilities. The plant manager has done a cost-benefit analysis and has found that the costs of manufacturing will 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 further reduce 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: Describe the basics of managerial accounting and its function within an organization.

43) Most of the leading companies of the world are issuing corporate social responsibility reports (CSR) where they communicate their social and environmental impacts.

Answer: TRUE

Explanation: Most corporations throughout the world are recognizing the need to be socially responsible and to communicate their achievements.

Diff: 2

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

44) What is at the intersection of the following 3 factors of social, environmental and economic decision-making?

- A) Independence
- B) Sustainability
- C) Cost-Benefit Analysis
- D) Communication

Answer: B

Explanation: All three concepts of social, environmental and economics will impact the sustainability factors of corporate decision-making

Diff: 2

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

45) To move toward sustainability, companies are introducing "greener" ways of doing business that have greater negative consequences for the earth's resources.

Answer: FALSE

Explanation: The goal of sustainability is to implement "green" behaviors that will have fewer negative consequences on the earth's resources.

Diff: 2

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

46) Critical thinking can be described as improving the decision-making process by skillfully analyzing, assessing and reconstructing thoughts.

Answer: TRUE

Explanation: Critical thinking is defined as improving the quality of thought.

Diff: 2

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

47) Dogwood 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: Describe the basics of managerial accounting and its function within an organization.

48) How has globalization impacted competition between domestic and international companies?

Answer: The restrictions and barriers to international trade have been greatly reduced and therefore has created greater opportunity for international companies to compete in our markets. This increased competition has resulted in the management accountant needing more accurate and timely information in order to make the best business decisions available.

Diff: 3

LO: 1-5

EOC: E1-16A; E1-21B

AACSB: Reflective thinking

Learning Outcome: Describe the basics of managerial accounting and its function within an organization.

1.6 Describe foundational concepts in data analytics

1) Data analytics refers to using management theories to make good business decisions.

Answer: FALSE

Diff: 1

LO: 1-6

EOC: S1-11

AACSB: Reflective thinking

2) Excel is the only data analytic tool that companies use in practice.

Answer: FALSE

Diff: 1

LO: 1-6

EOC: S1-11

AACSB: Reflective thinking

3) Benefits of data analytics include all of the following **except**

A) data analytics can help the business make quicker decisions.

B) data analytics can help companies better adapt and respond to customers' preferences.

C) data analytics can determine exactly what the company's profit will be given a specific scenario.

D) data analytics can increase the efficiency of internal operations.

Answer: C

Diff: 1

LO: 1-6

EOC: S1-1

AACSB: Reflective thinking

4) Structured data consists of data that is all of the following **except**

A) data that is easily extracted from the company's database.

B) data that is organized into predefined discrete categories.

C) data that is easy to search and manipulate.

D) data that only contains numerical values.

Answer: D

Diff: 1

LO: 1-6

EOC: S1-12

AACSB: Reflective thinking

5) An example of unstructured data would be

A) company's sales data listed by date of sale.

B) digital photos.

C) company's customer data containing customer name.

D) using hashtags in social media posts.

Answer: B

Diff: 2

LO: 1-6

EOC: S1-12

AACSB: Reflective thinking

6) Quantitative data can be

- A) measured.
- B) counted.
- C) aggregated.
- D) all of the above.

Answer: D

Diff: 1

LO: 1-6

AACSB: Reflective thinking

7) Bar charts, scatter charts, choropleth maps, and whisker charts are all examples of

- A) predictive analytics.
- B) data visualization.
- C) categorical data.
- D) cost-benefit analysis.

Answer: B

Diff: 2

LO: 1-6

AACSB: Reflective thinking

8) Is it true that data analytics can help businesses make quicker decisions?

Answer: TRUE

Explanation: There are many benefits to using data in order to make better decisions and that benefit also includes the ability to analyze the data more quickly and make your decisions faster as well.

Diff: 2

LO: 1-6

AACSB: Reflective thinking

9) The goal of data analytics is to turn raw data into actionable results.

Answer: TRUE

Explanation: The purpose behind data analytics is for the management team to gain insight from data that they can then use to develop an effective strategy for problems solving.

Diff: 2

LO: 1-6

AACSB: Reflective thinking

10) The economic feasibility to collect, store and analyze vast quantities of data has become less feasible than 100 years ago.

Answer: FALSE

Explanation: The ability to collect, store and analyze large quantities of data has been enhanced and improved from 100 years ago.

Diff: 2

LO: 1-6

AACSB: Reflective thinking

11) What is the general sequence in the data analytics process as described by the textbook?

Answer: (1) Identify the business issue the company is trying to solve. (2) Determine what types of data will be needed to answer the questions and were to gather the data. (3) Discover what type of tools and technology is available and appropriate to conduct the analysis. (4) Obtain and clean the data to develop insights based on the analysis and potential action plans. (5) Effectively communicate the insights and possible action plans. (6) Choose and implement action plans, monitor results, follow through.

Diff: 2

LO: 1-6

AACSB: Application of knowledge

12) Discuss the major benefits a company can experience as a result of utilizing data analytics when making important business decisions.

Answer: The inclusion of important and relevant data in the decision-making process makes the management accountant a more effective leader. Data driven information will provide many benefits to the management team including: fact based information, faster decision-making opportunities, efficient operations, ability to adapt more quickly to customers' demands and enhance innovative thinking.

Diff: 3

LO: 1-6

AACSB: Reflective thinking

1.7 Describe fundamental Excel features and perform basic Excel operations

1) A workbook in Excel is composed of one or more worksheets.

Answer: TRUE

Diff: 1

LO: 1-7

AACSB: Reflective thinking

2) If you see a series of hashtags in a cell (#####), it means that the information typed in the cell cannot be converted into a value.

Answer: FALSE

Diff: 1

LO: 1-7

AACSB: Reflective thinking

3) In Excel, in order to maintain a constant cell reference, the user must use what symbol in front of the reference they want to hold constant?

A) #

B) X

C) %

D) \$

Answer: D

Diff: 1

LO: 1-7

AACSB: Reflective thinking

4) The top bar on the Excel workbook that displays the tabs is called the

- A) cell reference.
- B) formula bar.
- C) ribbon.
- D) name box.

Answer: C

Diff: 1

LO: 1-7

AACSB: Reflective thinking

5) When Excel calculates values using formulas, it follows

- A) the order of entry from left of the cell to right of the cell.
- B) the order of operation rules.
- C) the order of entry from right of the cell to left of the cell.
- D) no specific order.

Answer: B

Diff: 2

LO: 1-7

AACSB: Reflective thinking

6) When a user types =\$C\$6 in a cell, what does that mean?

- A) The value will stay constant, referred to as "absolute reference".
- B) The user is making a relative cell reference and that if the formula is copied and pasted elsewhere that the cell will shift as appropriate.
- C) The cell will reflect the text "C6" since it has a dollar sign before each column and row listed.
- D) The cell will always show as a dollar value since the user specifically referenced the dollar sign in its cell reference.

Answer: A

Diff: 2

LO: 1-7

AACSB: Application of knowledge

7) Functions in Excel are

- A) the font type and size used.
- B) predefined formulas.
- C) predefined cell formatting of text.
- D) absolute references.

Answer: B

Diff: 1

LO: 1-7

AACSB: Reflective thinking

8) Each cell in a worksheet has a unique address or cell reference.

Answer: TRUE

Explanation: A worksheet consists of rows and columns and each individual cell has their own unique identifier or address.

Diff: 2

LO: 1-7

AACSB: Reflective thinking

9) Each row in the worksheet is assigned a letter and each row a number.

Answer: FALSE

Explanation: In a worksheet each row is numbered and each column is assigned a letter identifier.

Diff: 2

LO: 1-7

AACSB: Reflective thinking

10) You can navigate an Excel worksheet by typing an address into the "name-box" of a particular cell.

Answer: TRUE

Explanation: because each cell has a unique cell address, you can locate the data or information in that cell by typing in the cell address, say C30.

Diff: 3

LO: 1-7

AACSB: Reflective thinking

11) Is the ability of the Excel worksheet to calculate values a feature of an Excel worksheet that allows a worksheet to be a dynamic rather than static work tool?

Answer: TRUE

Explanation: One of the most powerful features of Excel is its ability to calculate values using formulas, cell references and functions.

Diff: 3

LO: 1-7

AACSB: Reflective thinking

12) Discuss why it is important for accounting professionals to possess basic Excel skills.

Answer: Most employers expect their accounting and finance entry-level employees to have a basic understanding of the Excel worksheet operations. The most popular data analytics tool used is Microsoft Excel. Excel is viewed by the business community as the entry way to more advanced data analytic tools which are needed in the fast-paced world of accounting.

Diff: 3

LO: 1-7

AACSB: Reflective thinking