

Test Bank for Cornerstones of Managerial Accounting 4th Mowen

TEST BANK SAMPLE PREVIEW

PUBLISHER

Cengage

COPYRIGHT

2022

ISBN

9780176915261

RESOURCE TYPE

Test Bank

Chapter 1 – Introduction to Managerial Accounting

1. Managerial accounting is designed primarily for external users.

- a. True
- b. False

ANSWER: False

2. The process of choosing among competing alternatives is called decision making.

- a. True
- b. False

ANSWER: True

3. The managerial activity of monitoring a plan's implementation and taking corrective action as needed is referred to as controlling.

- a. True
- b. False

ANSWER: True

4. Managerial accounting information is important for both for-profit and not-for-profit organizations.

- a. True
- b. False

ANSWER: True

5. Managerial accounting information is used only by manufacturing organizations.

- a. True
- b. False

ANSWER: False

6. In Canada, both financial and managerial accounting are governed by the Accounting Standards Board (AcSB) of CPA Canada.

- a. True
- b. False

ANSWER: False

7. Financial accounting has its emphasis primarily on the future.

- a. True
- b. False

ANSWER: False

8. Managerial accounting is internally focused.

- a. True
- b. False

ANSWER: True

9. The Triple Bottom Line refers to management putting triple the focus on profits.

- a. True
- b. False

Chapter 1 – Introduction to Managerial Accounting

ANSWER: False

10. Activity-based costing is a detailed approach to determining the cost of goods and services.

- a. True
- b. False

ANSWER: True

11. *Customer value* is the difference between what a customer receives and what they give up when buying a product or service.

- a. True
- b. False

ANSWER: True

12. The *value chain* refers to the set of activities required to design, develop, produce, market, and deliver products and services to customers.

- a. True
- b. False

ANSWER: True

13. Because service organizations do not make or sell tangible products, they have no need for managerial accounting.

- a. True
- b. False

ANSWER: False

14. Value chain analysis is a useful way of examining a firm's competitive advantage.

- a. True
- b. False

ANSWER: True

15. Positions that have direct responsibility for the basic objectives of an organization are normally referred to as *staff positions*.

- a. True
- b. False

ANSWER: False

16. A cost accountant would normally occupy a line position within an organization.

- a. True
- b. False

ANSWER: False

17. In larger organizations, the controller is typically also the chief executive officer (CEO) of a company.

- a. True
- b. False

ANSWER: False

Chapter 1 – Introduction to Managerial Accounting

18. Virtually all managerial accounting practices were developed to assist managers in maximizing profits.

- a. True
- b. False

ANSWER: True

19. The belief that each member of a group bears some responsibility for the well-being of other members is a common principle underlying all ethical systems.

- a. True
- b. False

ANSWER: True

20. Professional accountants in Canada now operate as Chartered Professional Accountants (CPAs).

- a. True
- b. False

ANSWER: True

21. The CPA designation in Canada refers to Certified Professional Accountant.

- a. True
- b. False

ANSWER: False

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

- a. It has no mandatory rules.
- b. It must adhere to mandatory rules.
- c. Its main users are outside of the organization.
- d. It provides only objective financial information.

ANSWER: a

23. Which statement best describes managerial accounting reports?

- a. The reports are prepared to meet the needs of decision makers within the firm.
- b. The reports are prepared for external shareholders, lenders, and tax authorities.
- c. The reports are prepared according to International Financial Reporting Standards (IFRS).
- d. The reports are prepared according to guidelines prepared by the Ontario Securities Commission.

ANSWER: a

24. What is an objective of managerial accounting?

- a. to comply with international reporting standards
- b. to provide tax information for planning, controlling, evaluating, and continuous improvement
- c. to prepare reports for investors, creditors, government agencies, and other outside users
- d. to provide information for the costing of services, products, and other objects of interest to management

ANSWER: d

25. What is a primary objective of managerial accounting?

- a. to provide the Canada Revenue Agency with information about taxable income

Chapter 1 – Introduction to Managerial Accounting

- b. to provide management with information useful for planning and control of operations
- c. to provide banks and other creditors with information useful in making credit decisions
- d. to provide existing shareholders and potential investors with useful information for decision making

ANSWER: b

26. What is an example of the management activity referred to as *planning*?

- a. upgrading outdated equipment
- b. outsourcing the organization's payroll processing
- c. developing a strategy to dispose of hazardous waste
- d. deciding to eliminate an unprofitable segment of an organization

ANSWER: c

27. What is developing a company strategy for responding to anticipated new markets an example of?

- a. planning b. delegating
- c. controlling d. decision making

ANSWER: a

28. What is investigating production variances and adjusting the production process an example of?

- a. planning b. delegating
- c. controlling d. decision making

ANSWER: c

29. Which statement best describes financial accounting?

- a. It is internally focused.
- b. It has an emphasis on the future.
- c. It has no regulatory or mandatory rules.
- d. It is concerned with information about the organization as a whole.

ANSWER: d

30. Which term refers to establishing objectives within an organization to include its social and environmental impact?

- a. triple impact b. triple accounting
- c. triple bottom line d. triple cost analysis

ANSWER: c

31. Which of the following reflects all three of the key aspects of the Triple Bottom Line?

- a. measures of employees, customers, and suppliers
- b. measures of social, financial, and environmental impact
- c. measures of assets, liabilities, and equity of the organization
- d. measures of revenues, expenses, and profit of the organization

ANSWER: b

32. Which term refers to the progress of new products through the stages of conception, introduction into the market, growth, maturity, decline, and eventual withdrawal from a market?

- a. product life cycle b. value chain analysis

Chapter 1 – Introduction to Managerial Accounting

- c. strategic positioning d. continuous improvement

ANSWER: a

33. Which statement best describes activity-based costing?

- a. It results in higher revenues.
- b. It is a traditional costing method.
- c. It encourages efficiency and customer value.
- d. It always results in a lower cost assigned to goods or services.

ANSWER: c

34. According to M. E. Porter, which of the following reflects primary activities in the value chain?

- a. inbound logistics, operations, outbound logistics, marketing and sales, service
- b. procurement, inbound logistics, operations, outbound logistics, marketing and sales, service
- c. procurement, technology development, human resources management, developing infrastructure
- d. technology development, human resources management, operations, developing infrastructure

ANSWER: a

35. Which of the following is a characteristic of customer value?

- a. the establishment of a competitive advantage by creating better customer value for the same cost
- b. the improvement of costing accuracy by emphasizing the activities and tasks that must be performed
- c. the efficient performance of necessary activities and elimination of activities that do not create customer value
- d. the difference between what a customer receives and what the customer gives up when buying a product or service

ANSWER: d

36. What is one emphasis of total quality management?

- a. 1 percent defects b. the status quo
- c. acceptable quality d. the reduction of waste

ANSWER: d

37. According to M. E. Porter, which of the following reflects support activities in the value chain?

- a. inbound logistics, operations, outbound logistics, marketing and sales, service
- b. procurement, inbound logistics, operations, outbound logistics, marketing and sales, service
- c. procurement, technology development, human resources management, developing infrastructure
- d. technology development, human resources management, operations, developing infrastructure

ANSWER: c

38. Which employee would normally occupy a line position?

- a. the treasurer b. the controller
- c. the purchasing manager d. the vice-president of marketing

ANSWER: d

39. Which employee would normally occupy a staff position?

- a. an assembly worker b. the factory manager

Chapter 1 – Introduction to Managerial Accounting

- c. the cost accounting manager d. the vice-president of operations

ANSWER: c

40. Which employee would normally occupy a line position in a hospital?

- a. a staff nurse b. the chief of surgery
c. a hospital administrator d. the manager of the cafeteria

ANSWER: b

41. Which statement best describes the controller of an organization?

- a. They generally have no influence in policies and decisions.
b. They can have significant input into policies and decisions.
c. They typically set operating policy within the organization.
d. They typically have authority over managers in the production area.

ANSWER: b

42. Which of the following involves choosing actions that are right, proper, and just?

- a. balanced costing b. ethical behaviour
c. activity-based costing d. cross-functional perspective

ANSWER: b

43. Virtually all managerial accounting practices were developed to assist managers with which of the following?

- a. determining costs b. maximizing profits
c. generating tax reports d. creating annual reports

ANSWER: b

44. According to the CPA Code of Professional Conduct, what are the fundamental principles of ethics?

- a. reputation, professionalism, authority, judgement, conflict of interest
b. professionalism, public interest, integrity and due care, confidentiality, conflict of interest
c. professional behaviour, integrity and due care, professional competence, confidentiality, objectivity
d. professional behaviour, integrity and due care, professional competence, confidentiality, subjectivity

ANSWER: c

45. Which of the following currently exists as a professional accounting body in Canada?

- a. CA Canada b. CPA Canada
c. CGA Canada d. CMA Canada

ANSWER: b

46. According to the CPA Code of Professional Conduct, what are the five fundamental principles of ethics?

ANSWER: professional behaviour
integrity and due care
professional competence
confidentiality
objectivity

47. Explain the term *professional competence*.

Chapter 1 – Introduction to Managerial Accounting

ANSWER: Professional Competence—Members maintain their professional skills and competence by keeping informed of, and complying with, developments in their area of professional service.

48. Explain the term *professional behaviour*.

ANSWER: Professional Behaviour—Members conduct themselves at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

49. Explain the term *objectivity*.

ANSWER: Objectivity—Members do not allow their professional or business judgment to be comprised by bias, conflict of interest or the undue influence of others.

Select the appropriate definition for each of the items listed below.

- a. continuous improvement
- b. controller
- c. controlling
- d. decision making
- e. ethical behaviour
- f. financial accounting
- g. lean accounting
- h. line positions
- i. managerial accounting
- j. planning
- k. staff positions
- l. time
- m. total quality management
- n. treasurer
- o. value chain

REF: What Is Managerial Accounting? | Information Needs for Planning, Controlling, and Decision Making | Comparison of Managerial and Financial Accounting | Current Focus of Managerial Accounting | Structure of the Company | Customer Orientation | Total Quality Management | Managerial Accounting, Ethical Conduct, and Social Responsibility

50. a management activity that involves the detailed formulation of action to achieve a particular end

ANSWER: j

51. the process of choosing among competing alternatives

ANSWER: d

52. the provision of accounting information for a company's internal users

ANSWER: i

53. the managerial activity of monitoring a plan's implementation and taking corrective action as needed

ANSWER: c

54. a type of accounting that is primarily concerned with producing information for external users

ANSWER: f

Chapter 1 – Introduction to Managerial Accounting

55. a crucial element in all phases of the value chain

ANSWER: l

56. searching for ways to increase the overall efficiency and productivity of activities by reducing waste, increasing quality, and reducing costs

ANSWER: a

57. the set of activities required to design, develop, produce, market, and deliver products and services to customers

ANSWER: o

58. a management philosophy in which manufacturers strive to create an environment that will enable workers to manufacture perfect (zero-defect) products

ANSWER: m

59. organizing costs according to the value chain and collecting both financial and nonfinancial information

ANSWER: g

60. positions that have direct responsibility for the basic objectives of an organization

ANSWER: h

61. positions that are supportive in nature and have only indirect responsibility for an organization's basic objectives

ANSWER: k

62. the chief accounting officer in an organization

ANSWER: b

63. the individual responsible for the finance function; raises capital and manages cash and investments

ANSWER: n

64. choosing actions that are right, proper, and just

ANSWER: e