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| 1. \_\_\_\_ is devoted to providing information for external users.

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|   | a.  | Management accounting |
|   | b.  | Financial accounting |
|   | c.  | Internal accounting |
|   | d.  | Cost accounting |

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| *ANSWER:* | b |

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| 2. Management accounting and financial accounting differ in that management accounting information is prepared

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|   | a.  | following prescribed rules. |
|   | b.  | using whatever methods the company finds beneficial. |
|   | c.  | for shareholders. |
|   | d.  | to summarize the whole company with little detail. |

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| *ANSWER:* | b |

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| 3. The primary objective of management accounting is

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|   | a.  | to provide shareholders and potential investors with useful information for decision making. |
|   | b.  | to provide banks and other creditors with information useful in making credit decisions. |
|   | c.  | to provide management with information useful for planning and control of operations. |
|   | d.  | to provide the relevant taxation authorities with information about taxable income. |

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| *ANSWER:* | c |

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| 4. Management accounting is the branch of accounting concerned with reporting to

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|   | a.  | internal managers. |
|   | b.  | shareholders. |
|   | c.  | the government. |
|   | d.  | bankers. |

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| *ANSWER:* | a |

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| 5. Which of the following characteristics does NOT pertain to management accounting?

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|   | a.  | provides information and estimates about future activity |
|   | b.  | generates specific-purpose financial statements and reports |
|   | c.  | provides financial and operating data multidisciplinary in scope |
|   | d.  | has externally imposed standards |

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| *ANSWER:* | d |

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| 6. Which of the following does NOT describe management accounting?

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|   | a.  | evaluation of segments or products within the firm |
|   | b.  | emphasis on the future |
|   | c.  | externally focused |
|   | d.  | detailed information |

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| *ANSWER:* | c |

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| 7. Management accounting reports are prepared

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| --- | --- | --- |
|   | a.  | to meet the needs of decision makers within the firm. |
|   | b.  | whenever shareholders request them. |
|   | c.  | according to guidelines prepared by the shares and Financial Services Authority. |
|   | d.  | according to financial accounting standards. |

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| *ANSWER:* | a |

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| 8. Cost accounting

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|   | a.  | is concerned with assigning costs to various cost objects. |
|   | b.  | attempts to satisfy the costing objectives of both financial accounting and management accounting. |
|   | c.  | provides cost information that supports planning, controlling, and decision making. |
|   | d.  | All of the above descriptions are true. |

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| *ANSWER:* | d |

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| 9. Which of the following costing activities is associated with the financial accounting system?

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|   | a.  | determining the cost of a department |
|   | b.  | determining the cost of goods sold for financial statements |
|   | c.  | preparing budgets |
|   | d.  | determining the cost of a customer |

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| *ANSWER:* | b |

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| 10. Which of the following activities is NOT associated with the financial accounting information system?

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|   | a.  | reporting on the cost of quality |
|   | b.  | reporting to the shareholders |
|   | c.  | preparing reports for the tax authorities |
|   | d.  | preparing a statement of cash flows |

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| *ANSWER:* | a |

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| 11. Factors that have led to a global market for manufacturing and service firms are

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| --- | --- | --- |
|   | a.  | improved transportation and communications systems. |
|   | b.  | improved telemarketing and communications. |
|   | c.  | improved distribution and transportation systems. |
|   | d.  | None of these factors have contributed. |

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| *ANSWER:* | a |

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| 12. Total quality management emphasizes

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| --- | --- | --- |
|   | a.  | zero defects. |
|   | b.  | continual improvement. |
|   | c.  | elimination of waste. |
|   | d.  | all of the above. |

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| *ANSWER:* | d |

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| 13. Which of the following emerging themes in cost accounting deals with managers striving to create an environment that will enable workers to manufacture perfect (zero-defect) products?

|  |  |  |
| --- | --- | --- |
|   | a.  | advances in information technology |
|   | b.  | time as a competitive element |
|   | c.  | global competition |
|   | d.  | total quality management |

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| *ANSWER:* | d |

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| 14. Competitive advantage is established by

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| --- | --- | --- |
|   | a.  | providing more customer products than competitors. |
|   | b.  | providing better quality than competitors. |
|   | c.  | providing greater customer value for less cost than competitors. |
|   | d.  | providing greater efficiencies than competitors. |

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| *ANSWER:* | c |

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| 15. Improvement in time performance is most likely NOT enhanced by

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| --- | --- | --- |
|   | a.  | redesign of products. |
|   | b.  | adding processes in production. |
|   | c.  | eliminating waste. |
|   | d.  | eliminating nonvalue-added activities. |

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| *ANSWER:* | b |

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| 16. Which of the following statements is NOT true about world-class firms?

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|   | a.  | World-class firms are firms that are poor in customer support. |
|   | b.  | World-class firms know their market and their products. |
|   | c.  | World-class firms strive continually to improve product design, manufacture, and delivery. |
|   | d.  | World-class firms can compete with the best of the best in a global environment. |

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| *ANSWER:* | a |

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| 17. Accounting

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|   | a.  | always has an external orientation. |
|   | b.  | always has an internal orientation. |
|   | c.  | information assists in planning and controlling. |
|   | d.  | terms serve as a model of the organization. |

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| *ANSWER:* | c |

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| 18. Monitoring the number of defects produced is an example of the management function of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | decision making. |
|   | d.  | both planning and decision making. |

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| *ANSWER:* | b |

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| 19. The setting of objectives and the identification of methods to achieve those objectives is called

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|   | a.  | planning. |
|   | b.  | controlling. |
|   | c.  | performance evaluation. |
|   | d.  | decision making. |

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| *ANSWER:* | a |

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| 20. Comparing actual quality costs with planned quality costs is an example of

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|   | a.  | planning. |
|   | b.  | controlling. |
|   | c.  | performance evaluation. |
|   | d.  | both controlling and performance evaluation. |

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| *ANSWER:* | d |

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| 21. Which of the following statements correctly distinguishes between financial and management accounting?

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|   | a.  | Management accounting reports on the whole organization. |
|   | b.  | Financial accounting is oriented toward the future. |
|   | c.  | Financial accounting is primarily concerned with providing information for internal users. |
|   | d.  | Management accounting is oriented more toward the planning and control aspects of management. |

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| *ANSWER:* | d |

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| 22. Setting the company's profit targets for the upcoming year is an example of the management function of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | variance analysis. |
|   | d.  | internal auditing. |

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| *ANSWER:* | a |

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| 23. Setting the selling price of a company's product is an example of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | decision making. |
|   | d.  | all of the above. |

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| *ANSWER:* | c |

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| 24. Developing a company strategy for responding to anticipated new markets is an example of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | decision making. |
|   | d.  | all of the above. |

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| *ANSWER:* | a |

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| 25. The planning process includes

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|   | a.  | setting objectives. |
|   | b.  | identifying means of achieving the objectives. |
|   | c.  | making decisions. |
|   | d.  | all of the above. |

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| *ANSWER:* | d |

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| 26. Investigating production variances and adjusting the production process is an example of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | internal auditing. |
|   | d.  | both planning and internal auditing. |

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| *ANSWER:* | b |

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| 27. Evaluating the performance of a segment of the company is an example of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | internal auditing. |
|   | d.  | both planning and internal auditing. |

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| *ANSWER:* | b |

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| 28. Determining the bid your company should submit on a construction contract is an example of

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|   | a.  | planning. |
|   | b.  | control. |
|   | c.  | decision making. |
|   | d.  | both planning and control. |

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| *ANSWER:* | c |

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| 29. The formulation of a scheme or program for the accomplishment of a specific purpose or goal is referred to as

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|   | a.  | controlling. |
|   | b.  | motivating. |
|   | c.  | organizing. |
|   | d.  | planning. |

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| *ANSWER:* | d |

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| 30. The monitoring of a plan's implementation is called

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|   | a.  | planning. |
|   | b.  | controlling. |
|   | c.  | decision making. |
|   | d.  | budgeting. |

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| *ANSWER:* | b |

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| 31. Continuous improvement is NOT

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|   | a.  | critical in a dynamic environment. |
|   | b.  | important to finding and maintaining a competitive advantage. |
|   | c.  | an effort to find ways to increase overall efficiency, improve quality, and reduce costs. |
|   | d.  | a responsibility of managers in world-class organizations. |

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| *ANSWER:* | b |

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| 32. Principles of personal ethical behaviour that are essential to an ethical life include

|  |  |  |
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|   | a.  | integrity. |
|   | b.  | respect for others. |
|   | c.  | accountability. |
|   | d.  | all of these. |

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| *ANSWER:* | d |

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| 33. Which one of the following statements about ethical behaviour is true?

|  |  |  |
| --- | --- | --- |
|   | a.  | Ethical behaviour is not guided by well-defined rules and is often subjective. |
|   | b.  | Ethical behaviour is best described as doing actions that are permitted by law. |
|   | c.  | Ethical behaviour always involves choosing between actions that are clearly right or wrong. |
|   | d.  | Ethical behaviour is best guided by a policy of placing corporate performance above individual ends. |

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| *ANSWER:* | a |

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| 34. In resolving an ethical conflict, which of the following would never be appropriate?

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| --- | --- | --- |
|   | a.  | discussing the matter with the chief executive officer |
|   | b.  | discussing the matter with an external member of the board of directors |
|   | c.  | taking the matter to the press where there is no legal requirement |
|   | d.  | resigning from the position because of a conflict |

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| *ANSWER:* | c |

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| 35. Management accounting is concerned with which kind of decision?

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|   | a.  | product costing and pricing |
|   | b.  | continuous operational improvement |
|   | c.  | financial control |
|   | d.  | all of the above |

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| *ANSWER:* | d |

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| 36. One advantage of employee empowerment is

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|   | a.  | it frees up some of the time of upper management for more strategic decision making. |
|   | b.  | workers can improve production processes in a timely manner. |
|   | c.  | employees closest to the work can provide valuable input in increasing efficiency. |
|   | d.  | all of the above are advantages |

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| *ANSWER:* | d |

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| 37. The overall objective of accounting information systems is to

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| --- | --- | --- |
|   | a.  | provide information to users. |
|   | b.  | manage the organization. |
|   | c.  | prepare financial reports. |
|   | d.  | report to the government. |

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| *ANSWER:* | a |

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| 38. Management accounting:

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| --- | --- | --- |
|   | a.  | provides a framework to evaluate information in light of an organization's goals. |
|   | b.  | provides relevant information to managers. |
|   | c.  | provides relevant information to meet specific needs of persons inside the organization. |
|   | d.  | all of the above |

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| *ANSWER:* | d |

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| 39. Financial accounting information is *least* useful in providing:

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| --- | --- | --- |
|   | a.  | information for stating corporate wide goals. |
|   | b.  | information for internal decision makers. |
|   | c.  | periodic reports for shareholders. |
|   | d.  | aggregate information about an organization's assets, obligations and performance. |

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| *ANSWER:* | b |

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| 40. Management accounting is primarily concerned with:

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| --- | --- | --- |
|   | a.  | providing investors with useful information for valuing securities. |
|   | b.  | providing creditors information on the status of their loans. |
|   | c.  | providing managers with relevant information to help achieve organizational goals. |
|   | d.  | providing the relevant taxation authorities with information to determine the amount of taxes owed. |

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| *ANSWER:* | c |

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| 41. To compete on the basis of price, the seller must carefully manage:

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| --- | --- | --- |
|   | a.  | cost. |
|   | b.  | service. |
|   | c.  | quality. |
|   | d.  | none of the above. |

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| *ANSWER:* | a |

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| 42. World-class companies must continuously struggle to improve performance in the dimensions of:

|  |  |  |
| --- | --- | --- |
|   | a.  | price/cost. |
|   | b.  | service. |
|   | c.  | quality. |
|   | d.  | all of the above. |

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| *ANSWER:* | d |

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| 43. Which of the following statements *most accurately* describes an effect of employee empowerment?

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|   | a.  | Employee empowerment reduces the cost of implementing decisions. |
|   | b.  | Employee empowerment decreases the speed in which decisions are made. |
|   | c.  | Employee empowerment leads to an increased number of corporate staff positions |
|   | d.  | Employee empowerment places greater emphasis on decisions made by upper management. |

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| *ANSWER:* | a |

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| 44. Briefly discuss the differences between financial and management accounting.

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| *ANSWER:* | Management accounting differs from financial accounting in the following major ways: (1) an internal focus, (2) emphasis on the future, (3) freedom from GAAP and other mandatory rules, (4) multidisciplinary and broader in scope, (5) evaluates individual segments within the firm, and (6) provides more detailed information. |

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| 45. Identify and discuss the emerging themes that are affecting the way cost accounting is practised.

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| *ANSWER:* | Seven emerging themes affecting cost element accounting are as follows: customer orientation, total quality management, time as a competitive factor, advances in information technology, advances in the manufacturing environment, service industry growth, and global competition. Customer orientation, total quality management, and time as a competitive factor require the accountant to create and track nonfinancial measures of customer satisfaction such as quality improvement and responsiveness. Advances in information technology have led to the creation of relationship databases that allow a variety of users to develop their own reports based on their particular needs. Advances in the manufacturing environment are characterized by activity-based costing and the emergence of the JIT philosophy. Service industry growth has led to the need for increased management accounting information to improve productivity and quality. Finally, global competition means that companies are now competing with the best of the best. Accurate, timely, and relevant accounting data are crucial in appropriately managing cost. |

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| 46. What is customer orientation? Why is it important in a global environment? What role does cost management play in serving customers?

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| *ANSWER:* | Organizations are concerned with the importance and value that customers have for their processes, activities, products, and services. Firms want to deliver value to customers in order to keep them and to attract new customers in an increasingly competitive global environment. Managing activities and costs is a critical component of managing the value chain. |

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| 47. Why has time become such an important factor in competition?

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| *ANSWER:* | Reducing the time that it takes to act means that companies are able to respond to customers and suppliers more quickly. It fosters adaptability and the ability to respond to changing demands. Reducing time is accomplished by reducing waste and nonvalue-added activities. Reducing activities and waste lowers cost and builds competitive advantage. |

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| 48. Personal computers significantly increase a manager's capabilities to process and use accounting information. Do you agree? Explain.

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| *ANSWER:* | Yes. Personal computers allow managers to access accounting data and to build their own reports and to perform many of their own analyses. |

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| 49. Describe the connection between planning, controlling, and feedback.

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| *ANSWER:* | Planning establishes performance standards, feedback compares actual performance with planned performance, and control uses feedback to evaluate deviations from plans. |

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| 50. Give some examples of reporting feedback that will assist in continuous improvement of a dry cleaning company.

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| *ANSWER:* | A dry cleaners will be interested in monitoring all aspects of performance. It may prepare performance reports on materials and labour usage, as well as on meeting revenue targets. It will want to keep track of things important to customers, turnaround time, customer satisfaction, types of complaints, and requests for auxiliary services (i.e., delivery and tailoring). It may keep records about the characteristics of customers (i.e., profession, residence, age) to better understand their market. It will be interested in efficiency and productivity of labour and equipment. It might monitor the usage of capacity. It will be interested in reporting on all aspects of performance. |

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| 51. Describe a cost management information system, its objectives, and major subsystems.

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| *ANSWER:* | The cost management information system is an accounting information subsystem that is primarily concerned with producing outputs for internal users using inputs and processes needed to satisfy management objectives.The objectives are as follows:

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| 1. | To provide information for costing out services, products, and other objects of interest to management. |
| 2. | To provide information for planning and control. |
| 3. | To provide information for decision making. |

The major subsystems of a cost management information system are the cost accounting information system and the operational control information system. |

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| 52. Identify the trends impacting management accounting and discuss the implications for management accounting.

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| *ANSWER:* | Changes in the manufacturing environment, brought about by the implementation of JIT manufacturing, increasing quality requirements, product diversity, diminishing product life cycles, automation, and advances in information technology, are having a significant influence on the management accounting environment. Many traditional management accounting practices will be altered because of the revolution taking place among many manufacturing firms. Deregulation and growth in the service sector of our economy are also increasing the demand for management accounting practices. |

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