

Exam

Name \_\_\_\_\_

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations? 1) \_\_\_\_\_

- A) Budgeting.
- B) Directing and motivating.
- C) Strategy formulation.
- D) Planning.

Answer: B

Topic: 01-02 The Work of Managers and Their Need for Managerial Accounting Information

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

2) Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations? 2) \_\_\_\_\_

- A) Motivating.
- B) Controlling.
- C) Planning.
- D) Directing.

Answer: C

Topic: 01-03 Planning

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

3) Budgeting is part of which of the following activities managers perform in organizations? 3) \_\_\_\_\_

- A) Motivating.
- B) Planning.
- C) Controlling.
- D) Directing.

Answer: B

Topic: 01-03 Planning

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

4) Obtaining feedback is generally identified most directly with which of these functions of management? 4) \_\_\_\_\_

- A) Planning.
- B) Controlling.
- C) Decision making.
- D) Directing and motivating.

Answer: B

Topic: 01-05 Controlling

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

5) Which of the following is part of managing and improving business processes? 5) \_\_\_\_\_

- A) Motivating
- B) Planning
- C) Directing
- D) Lean production

Answer: D

Topic: 01-16 Business Process Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 6) Which is the most common risk management tactic? 6) \_\_\_\_\_
- A) Share the risk.
  - B) Avoid the risk.
  - C) Accept the risk.
  - D) Reduce the risk.

Answer: D

Topic: 01-18 Enterprise Risk Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 7) Which of the following best describes the function of managerial accounting within an organization? 7) \_\_\_\_\_
- A) It places more emphasis on precision of data than financial accounting does.
  - B) It focuses on the organization as a whole, rather than on the organization's segments.
  - C) It is required by regulatory bodies such as the Ontario Securities Commission.
  - D) It has its primary emphasis on the future.

Answer: D

Topic: 01-10 Emphasis on the Future

LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 8) Upon which of the following does managerial accounting place considerable weight? 8) \_\_\_\_\_
- A) Ensuring that all transactions are properly recorded.
  - B) The financial history of the entity.
  - C) Detailed segment reports about departments, products, and customers.
  - D) Generally accepted accounting principles.

Answer: C

Topic: 01-13 Segments of an Organization

LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 9) For internal uses, managers are more concerned with receiving information that achieves which of the following standards? 9) \_\_\_\_\_
- A) Relevant, flexible, and timely.
  - B) Completely objective and verifiable.
  - C) Completely accurate and precise.
  - D) Relevant, completely accurate, and precise.

Answer: A

Topic: 01-11 Relevance of Data

LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 10) Which of the following would be an example of a performance report? 10) \_\_\_\_\_
- A) A balance sheet showing the actual financial position at the end of the past month.
  - B) An income statement reporting actual results for the past month.
  - C) An income statement showing the amounts budgeted for the past month.
  - D) A production report showing budgeted and actual production for the past month.

Answer: D

Topic: 01-05 Controlling

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 11) Which of the following is **NOT** one of the three major customer value propositions discussed in the text? 11) \_\_\_\_\_
- A) Customer intimacy
  - B) Discount pricing
  - C) Product leadership
  - D) Operational excellence

Answer: B

Topic: 01-08 Strategic Management

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 12) Which of the following is **NOT** a topic relating to managing and improving business processes? 12) \_\_\_\_\_
- A) Corporate Governance.
  - B) Lean Production.
  - C) Enterprise Systems.
  - D) Risk Management.

Answer: A

Topic: 01-16 Business Process Management, 01-17 Lean Production, 01-18 Enterprise Risk Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 13) Which one of the following is **NOT** an example of corporate social responsibility provided to customers? 13) \_\_\_\_\_
- A) Full disclosure of product related risks.
  - B) Easy to use information systems for shopping and tracking orders.
  - C) Safe, high- quality products that are fairly priced.
  - D) Opportunities for training, promotion and personal development.

Answer: D

Topic: 01-21 Corporate Social Responsibility

LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 14) Which one of the following is **NOT** an activity in the planning and control cycle? 14) \_\_\_\_\_
- A) Measuring performance.
  - B) Comparing actual to planned performance.
  - C) Formulating long and short-term plans.
  - D) Raw materials are released to production far in advance of being needed to ensure no interruptions in work flows due to shortages of raw materials.

Answer: D

Topic: 01-03 Planning, 01-05 Controlling, 01-06 Decision Making

LO: 01-01 Describe the functions performed by managers.

CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 15) Which of the following is **NOT** an example of a business risk? 15) \_\_\_\_\_
- A) A customer value proposition.
  - B) A website malfunctioning.
  - C) An employee accessing unauthorized information.
  - D) Products harming customers.

Answer: A

Topic: 01-18 Enterprise Risk Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 16) Professional accounting body in Canada (CPA) require their members to undertake professional development and/or continuing education. This practice is intended to directly satisfy which of these rules of ethical conduct in line with other code of ethics? 16) \_\_\_\_\_
- A) Integrity.
  - B) Confidentiality.
  - C) Competence.
  - D) Objectivity.

Answer: C

Topic: 01-20 Ethics

LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

17) Samantha Galloway is a managerial accountant in the accounting department of Mustang Industries, Inc. Samantha has just discovered evidence that some of the corporation's marketing managers have been wrongfully inflating their expense reports in order to obtain higher reimbursements from the firm. According to the Institute of Management Accountants' Standards of Ethical Conduct, what should Samantha do upon discovering this evidence? 17) \_\_\_\_\_

- A) Notify the president of the corporation.
- B) Ignore the evidence because she is not part of the Marketing Department.
- C) Notify the controller.
- D) Notify the marketing managers involved.

Answer: C

Topic: 01-20 Ethics

LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

18) Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting: 18) \_\_\_\_\_

- A) emphasizes relevance.
- B) emphasizes precision.
- C) emphasizes financial consequences of past activities.
- D) must follow GAAP.

Answer: A

Topic: 01-10 Emphasis on the Future, 01-11 Relevance of Data, 01-12 Less Emphasis on Precision

LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

19) After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system as a component of the lean thinking model. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labour hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch? 19) \_\_\_\_\_

- A) 470
- B) 400
- C) 430
- D) 370

Answer: D

Topic: 01-17 Lean Production

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 20) Which of the following facets of the lean thinking model is often called just-in-time production? 20) \_\_\_\_\_
- A) Organize work arrangements around the flow of the business process.
  - B) Identify the business process that delivers value.
  - C) Identify value in specific products/services.
  - D) Create a pull system that responds to customer orders.

Answer: D

Topic: 01-17 Lean Production

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 21) Which of the following groups should be the focal point of a company's strategy? 21) \_\_\_\_\_
- A) Target customers
  - B) Employees
  - C) Board of directors
  - D) Shareholders

Answer: A

Topic: 01-08 Strategic Management

LO: 01-01 Describe the functions performed by managers.

CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 22) The purpose of IFRS is: 22) \_\_\_\_\_
- A) To enhance the comparability and clarity of financial information on a global basis.
  - B) To encourage disclosure of Non-Financial data.
  - C) To change how management accountants prepare reports.
  - D) To encourage Strategic planning.

Answer: A

Topic: 01-14 Generally Accepted Accounting Principles

LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 23) In Canada, CPA Code of Ethics is an instrument for enforcing professional conduct for its members and comprise the following: 23) \_\_\_\_\_
- A) Level of competence, confidentiality and objectivity
  - B) Level of competence, confidentiality, integrity, due care and objectivity
  - C) Level of competence, confidentiality and integrity
  - D) Level of competence, integrity and objectivity

Answer: B

Topic: 01-20 Ethics

LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.

CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 24) Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate social responsibility? 24) \_\_\_\_\_
- A) Creditors
  - B) Suppliers
  - C) Customers
  - D) All Stakeholders

Answer: D

Topic: 01-21 Corporate Social Responsibility

LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 25) An important part of planning is to identify alternatives and then to select from among the alternatives the one that best meets the organization's objectives. 25) \_\_\_\_\_

Answer:  True       False

Topic: 01-03 Planning

LO: 01-01 Describe the functions performed by managers.

CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 26) Lean production is a management approach that organizes resources such as people and machines around the flow of business processes and that produces units only in response to customer orders. 26) \_\_\_\_\_

Answer:  True       False

Topic: 01-17 Lean Production

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 27) Companies should identify foreseeable risks before they occur rather than react to unfortunate events that have already happened. 27) \_\_\_\_\_

Answer:  True       False

Topic: 01-18 Enterprise Risk Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 28) A *value chain* consists of the major business functions that add value to a company's products and services. 28) \_\_\_\_\_

Answer:  True       False

Topic: 01-16 Business Process Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

- 29) Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does. 29) \_\_\_\_\_  
Answer:  True       False  
Topic: 01-12 Less Emphasis on Precision  
LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.  
CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 30) Managerial accounting is **NOT** governed by generally accepted accounting principles (GAAP). 30) \_\_\_\_\_  
Answer:  True       False  
Topic: 01-14 Generally Accepted Accounting Principles, 01-15 Managerial Accounting–Not Mandatory  
LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 31) In general, accounting data serve both financial accounting and managerial accounting purposes. 31) \_\_\_\_\_  
Answer:  True       False  
Topic: 01-10 Emphasis on the Future, 01-11 Relevance of Data, 01-12 Less Emphasis on Precision  
LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.  
CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 32) Product harming customers is **NOT** a business risk. 32) \_\_\_\_\_  
Answer:    True       False  
Topic: 01-18 Enterprise Risk Management  
LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 33) Managerial accounting plays a critical role in providing information to management to facilitate implementing and monitoring strategy. 33) \_\_\_\_\_  
Answer:  True       False  
Topic: 01-08 Strategic Management  
LO: 01-01 Describe the functions performed by managers.  
CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 34) To reduce the likelihood that employees will engage in undesirable activities that may harm various stakeholders, many companies prepare a formal code of conduct to reflect their values and moral system. 34) \_\_\_\_\_  
Answer:  True       False  
Topic: 01-20 Ethics  
LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.



- 35) Emphasis on the future is given equal weight by both managerial accounting and financial accounting. 35) \_\_\_\_\_  
 Answer: True  False  
 Topic: 01-10 Emphasis on the Future  
 LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.  
 CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 36) Managerial accounting plays a critical role in providing information to management to facilitate strategy implementation and monitoring. 36) \_\_\_\_\_  
 Answer:  True  False  
 Topic: 01-08 Strategic Management  
 LO: 01-01 Describe the functions performed by managers.  
 CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 37) Lean thinking differs from traditional manufacturing methods, which organize work departmentally and encourage those departments to maximize their output even if it exceeds customer demand and bloats inventories. 37) \_\_\_\_\_  
 Answer:  True  False  
 Topic: 01-17 Lean Production  
 LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.  
 CPA Compdency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 38) A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products. 38) \_\_\_\_\_  
 Answer:  True  False  
 Topic: 01-08 Strategic Management  
 LO: 01-01 Describe the functions performed by managers.  
 CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 39) Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership. 39) \_\_\_\_\_  
 Answer:  True  False  
 Topic: 01-08 Strategic Management  
 LO: 01-01 Describe the functions performed by managers.  
 CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 40) Companies that adopt a customer intimacy strategy are in essence saying to their target customers, "The reason you should choose us is because we understand and respond to your individual needs better than our competitors." 40) \_\_\_\_\_  
 Answer:  True  False  
 Topic: 01-08 Strategic Management  
 LO: 01-01 Describe the functions performed by managers.  
 CPA Compdency:: CPA Competency: 3.1.1 Evaluates management information requirements.

- 41) Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us rather than our competitors because we strive for zero defects." 41) \_\_\_\_\_  
Answer: True  False  
Topic: 01-08 Strategic Management  
LO: 01-01 Describe the functions performed by managers.  
CPA Compdteny:: CPA Competency: 3.1.1 Evaluates management information requirements.
- 42) Many organizations use extrinsic incentives to highlight important goals and to motivate employees to achieve them. 42) \_\_\_\_\_  
Answer:  True  False  
Topic: 01-22 Managing Employees  
LO: 01-05 Explain how intrinsic motivation, extrinsic incentives, and cognitive biases affect employee behaviour.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 43) The lean approach results in fewer defects, less wasted effort, and quicker customer response times than traditional production methods. 43) \_\_\_\_\_  
Answer:  True  False  
Topic: 01-17 Lean Production  
LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 44) Managerial accounting is not mandatory. 44) \_\_\_\_\_  
Answer:  True  False  
Topic: 01-15 Managerial Accounting–Not Mandatory  
LO: 01-02 Identify the major differences and similarities between financial and managerial accounting.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 45) Many customers seek to purchase products and services from socially responsible companies. 45) \_\_\_\_\_  
Answer:  True  False  
Topic: 01-21 Corporate Social Responsibility  
LO: 01-04 Explain the nature and importance of ethics for accountants and the role of corporate social responsibility.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.
- 46) Lean production is often called just-in-time production. 46) \_\_\_\_\_  
Answer:  True  False  
Topic: 01-17 Lean Production  
LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.  
CPA Compdteny:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

47) You have recently been hired by a manufacturing company. Two days ago, you met with the top management of the company to discuss future strategies for the firm. During the meeting, the president of the company expressed concern about the profitability of the company and the company's ability to compete effectively in the future. You responded to the president's concerns by mentioning some articles you had read in professional accounting journals regarding the lean thinking model. The president responded to your comments by saying that although the lean thinking model sounded interesting, no one in the company was knowledgeable about it. The president then requested that you prepare a brief summary of the lean thinking model for the next strategic planning meeting.

Required:

- a. Describe the lean thinking model and how it differs from traditional manufacturing methods
- b. List some of the benefits of the lean thinking model.

Answer: a. The lean thinking model is a management approach that organizes resources around the flow of business processes and pulls units through in response to customer orders. The model includes the popular just-in-time production. Lean thinking differs from traditional manufacturing methods, which organize work departmentally and encourage those departments to maximize output even if it exceeds customer demand. Scheduling production in response to customer orders results in minimal inventory.

b. Some of the benefits that accrue from adoption of the lean thinking model are as follows:

- 1) Lower inventories of raw materials, work in process, and finished goods.
- 2) Fewer defects
- 3) Less wasted efforts
- 5) Quicker customer response times.

Topic: 01-17 Lean Production

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Competency: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

48) How much it costs a company to manufacture a particular product is one of the many questions that r typically provided by managerial accountants help to answer.

Required:

Comment on the usefulness of a unit product cost information in the preparation of a set of financial statements?

Answer: Unlike a merchandising company, a manufacturing company must calculate the average unit cost of each product it manufactures. As it will be demonstrated in subsequent chapters of the book, this number is essentially the sum of the cost of all the factors of production incurred (that is, raw materials, labour, and capital) divided by the total output. The resulting unit product cost information is not only useful but essential in calculating the cost of units of the product sold required for preparing an income statement and the cost of units of the product not sold (to be reported among the assets on the balance sheet as ending inventory).

Topic: 01-07 The Planning and Control Cycle, 01-10 Emphasis on the Future, 01-11 Relevance of Data

LO: 01-01 Describe the functions performed by managers.

CPA Compdtency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

49) Provide three examples of common business risks faced by companies.

Answer: Some examples of common business risks include: (1) losing market share to competitors; (2) Web site malfunctioning; (3) employees stealing assets or accessing unauthorized information; and (4) inaccurate budget estimates causing operational problems such as excessive inventory levels or inventory shortages.

Topic: 01-18 Enterprise Risk Management

LO: 01-03 Explain the basic concepts of lean production and enterprise risk management.

CPA Compdtency:: CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.