

Test Bank for Managerial Accounting The Cornerstone of Business Decision Making 8th Mowen

Ch01: Introduction to Managerial Accounting

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

- 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. Managerial accounting information is not important for not-for-profit organizations.

- a. True
- b. False

ANSWER: False

4. Management accounting information is used only by manufacturing organizations.

- a. True
- b. False

ANSWER: False

5. Managerial accounting is designed primarily for internal users.

- a. True
- b. False

ANSWER: True

6. Managerial accounting emphasizes the future.

- a. True
- b. False

ANSWER: True

7. GAAP governs financial accounting.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

9. Time is not a crucial element in all phases of the value chain.

- a. True
- b. False

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ANSWER: False

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

- a. True
- b. False

ANSWER: False

11. Excellent customer service is an example of a value-added activity.

- a. True
- b. False

ANSWER: True

12. A cost accountant would normally occupy a staff position within an organization.

- a. True
- b. False

ANSWER: True

13. Positions that have direct responsibility for the basic objectives of an organization are referred to as line positions.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

15. The belief that each member of a group bears no responsibility for the well-being of other members is a common principle underlying all ethical systems.

- a. True
- b. False

ANSWER: False

16. The four emphasized areas of the CMA examination reflect the needs of managerial accounting and highlight that managerial accounting has more of an interdisciplinary flavor than other areas of accounting.

- a. True
- b. False

ANSWER: True

17. The purpose of the Certificate in Public Accounting is to provide minimal professional qualification for external auditors.

- a. True
- b. False

ANSWER: True

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18. Amelia compared the budgeted spending on labor and materials used in production to the actual spending on labor and materials used in production. Labor spending was higher than expected. Amelia emailed Robbie to discuss this outcome. This is a managerial accounting-oriented issue.

- a. True
- b. False

ANSWER: True

19. The detailed formulation of action to achieve a particular end is the management activity called _____.

ANSWER: planning.

20. _____ is the provision of accounting information for a company's internal users.

ANSWER: Managerial accounting

21. The process of choosing among competing alternatives is called _____.

ANSWER: decision making

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

ANSWER: controlling

23. The managerial accounting system produces information for _____ users.

ANSWER: internal

24. _____ is primarily concerned with producing information for external users.

ANSWER: Financial accounting

25. Managerial accounting strongly emphasizes providing information about _____.

ANSWER: future events

26. The _____ is the set of activities required to design, develop, produce, market and deliver products and services as well as provide support services to customers.

ANSWER: value chain

27. _____ organizes costs according to the value chain and collects both financial and nonfinancial information with the objective of providing information to support waste reduction efforts and provide financial statements that better reflect overall performance.

ANSWER: Lean accounting

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

ANSWER: Total quality management

29. _____ is the continual search for ways to increase the overall efficiency and productivity of activities by reducing waste, increasing quality and managing costs.

ANSWER: Continuous improvement

30. _____ is a crucial element in all phases of the value chain.

ANSWER: Time

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31. The _____ supervises all accounting functions and reports directly to the general manager and chief operating officer (COO).

ANSWER: controller

32. Positions that are supportive in nature and have only indirect responsibility for an organization's basic objectives are called _____.

ANSWER: staff positions

33. The _____ is responsible for the finance function.

ANSWER: treasurer

34. Congress passed the _____ in response to financial scandals such as the accounting misconduct at Enron.

ANSWER: Sarbanes-Oxley Act (SOX)

35. _____ involves choosing actions that are right, proper, and just.

ANSWER: Ethical behavior

36. To promote ethical behavior by managers and employees, organizations commonly establish standards of conduct referred to as Company _____.

ANSWER: Codes of Conduct

37. Only a(n) _____ is permitted to serve as an external auditor.

ANSWER: Certified Public Accountant (CPA)

38. A(n) _____ has passed a comprehensive examination designed to ensure technical competence and has 2 years of experience.

ANSWER: Certified Internal Auditor (CIA)

39. The objective of _____ should be constrained by the requirement to follow legal and ethical rules.

ANSWER: profit maximization

40. Managerial accounting, as opposed to financial accounting, is primarily concerned with

- a. the financial condition of the organization as a whole.
- b. providing information for investors and creditors.
- c. emphasizing the future.
- d. meeting the requirements of generally accepted accounting principles.

ANSWER: c

41. Which of the following is not an objective of managerial accounting?

- a. To produce information for external users, including investors, creditors, customers, suppliers, and government agencies
- b. To provide information for planning an organization's actions
- c. To provide information for evaluating and continuously improving an organization's actions
- d. To provide information for effective decision making by the management of a company

ANSWER: a

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42. Which of the following items is an example of the management activity referred to as planning?

- a. Developing a strategy for disposing of hazardous waste
- b. Tracking the cost of employee absence
- c. Ensuring that the most competent candidates are recruited by a company
- d. All of these are correct.

ANSWER: a

43. The detailed formulation of action to achieve a particular end is the management activity called:

- a. planning.
- b. controlling.
- c. decision making.
- d. All of these are correct.

ANSWER: a

44. Investigating production variances and adjusting the production process are examples of:

- a. planning.
- b. controlling.
- c. decision making.
- d. All of these are correct.

ANSWER: b

45. The primary objective of managerial accounting is:

- a. to produce information for external users, including investors, creditors, customers, suppliers, and government agencies.
- b. to produce financial information that must comply with various accounting standards.
- c. to provide management with financial and nonfinancial information useful in planning, controlling, and decision making.
- d. to provide the Internal Revenue Service with financial and nonfinancial information about the taxable income of an organization.

ANSWER: c

46. Which of the following statements is true of managerial accounting?

- a. Managerial accounting is the provision of accounting information for a company's external users.
- b. Managerial accounting attempts to provide information for controlling the organization's actions.
- c. Managerial accounting provides historical information.
- d. Managerial accounting is subject to rules for external financial reporting.

ANSWER: b

47. Managerial accounting reports are prepared:

- a. to provide creditors with information useful in making credit decisions.
- b. to meet the needs of decision makers within a firm.
- c. to present historical information.
- d. All of these are correct.

ANSWER: b

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48. Which of the following statements is true of financial accounting?

- a. Financial accounting is directed toward external users.
- b. Financial accounting is subject to externally imposed rules.
- c. Financial accounting provides information that can be objectively verified and audited.
- d. All of these are correct.

ANSWER: d

49. Which of the following items would not be an example of a value-added activity?

- a. Timely delivery of products
- b. Customers being offered a variety of products
- c. Storage of finished products
- d. Excellent customer service

ANSWER: c

50. Which of the following statements is true of total quality management?

- a. It is a management philosophy in which manufacturers strive to create an environment that will enable workers to manufacture zero-defect products.
- b. It has replaced the acceptable quality attitudes of the past.
- c. It emphasizes the elimination of waste.
- d. All of these are correct.

ANSWER: d

51. Activity-based costing:

- a. strives to create an environment that will enable workers to manufacture zero-defect products.
- b. is the process of choosing among competing alternatives.
- c. was established in response to financial scandals.
- d. emphasizes the cost of tasks required to produce a product or offer a service.

ANSWER: d

52. Which of the following would normally hold a line position?

- a. Staff accountant
- b. Purchasing manager
- c. General manager
- d. Cost accountant

ANSWER: c

53. Which of the following members of an organization would normally hold a staff position?

- a. Head of security
- b. Accounting manager
- c. Customer service executive
- d. All of these are correct.

ANSWER: d

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54. Which of the following would occupy a line position in a hospital?

- a. Cafeteria manager
- b. Hospital administrator
- c. Chief of surgery
- d. None of these are correct.

ANSWER: c

55. The controller of an organization participates in:

- a. planning.
- b. controlling.
- c. decision making.
- d. All of these are correct

ANSWER: d

56. Which of the following statements is true of profit maximization?

- a. Profit maximization is achieved by considering the financial measures focused only on efficiency.
- b. Profit maximization is an objective of financial accounting but not managerial accounting.
- c. Profit maximization should be achieved through legal and ethical means.
- d. Profit maximization results in maximum cost to and maximum production by a company.

ANSWER: c

57. The standards of ethical conduct for managerial accountants include:

- a. caring for others, intuition, and respect for others.
- b. pursuit of excellence, credibility, and immediacy.
- c. confidentiality, confidence, integrity, and observance.
- d. competence, confidentiality, integrity, and credibility.

ANSWER: d

58. Which of the following areas is not emphasized by the Certified Management Accountant (CMA) examination?

- a. External auditing and internal control
- b. Management reporting, analysis, and behavioral issues
- c. Decision analysis and information systems
- d. Economics, finance, and management

ANSWER: a

59. Accountants that have a Certificate in Public Accounting (CPA):

- a. are the only accountants permitted to serve as external auditors.
- b. must pass a national examination and be licensed by the state in which they practice.
- c. are responsible for assuring the reliability of a firm's financial statements.
- d. All of these are correct.

ANSWER: d

60. In the United States, individuals who provide assurance service are designated as:

- a. Certified Public Accountants.

Name: _____ Class: _____ Date: _____

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- b. Certified Financial Accountants.
- c. Chartered Accountants.
- d. Certified Management Accountants.

ANSWER: a