Test Bank for Managerial Accounting CDN 12th Garrison

Managerial Accounting 12th Edition by Garrison Ch01

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

1) 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.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Medium
Topic : 01-03 Planning
Bloom's : Remember

2) Big Data refers to the information gathered from insider sources only.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Topic : 01-07 Big Data
Bloom's : Remember

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

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Remember
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

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

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-16 Managerial Accounting—Not Mandatory

5) Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-12 Relevance of Data

6) Managerial accounting is**NOT** governed by generally accepted accounting principles (GAAP).

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-14 Segments of an Organization
Topic : 01-15 Generally Accepted Accounting Principles

7) In general, accounting data serve both financial accounting and managerial accounting purposes.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Easy
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-10 Comparison of Financial and Managerial Accounting
Topic : 01-11 Emphasis on the Future
Topic : 01-12 Relevance of Data

8) Product harming customers is NOT a business risk.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

9) Managerial accounting plays a critical role in providing information to management to facilitate implementing and monitoring strategy.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Bloom's : Remember
Topic : 01-08 The Planning and Control Cycle

10) 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.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Topic : 01-20 Corporate Social Responsibility
Learning Objective : 01-04 Explain the nature and importance of ethics for accountants.

11) Emphasis on the future is given equal weight by both managerial accounting and financial accounting.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-10 Comparison of Financial and Managerial Accounting

12) Managerial accounting plays a critical role in providing information to management to facilitate strategy implementation and monitoring.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Bloom's : Remember
Topic : 01-08 The Planning and Control Cycle

13) Thorough testing of a product before launching in the mass market is a risk reduction strategy.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

14) A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Medium
Topic : 01-08 The Planning and Control Cycle

15) Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Bloom's : Remember
Topic : 01-08 The Planning and Control Cycle

16) 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."

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Bloom's : Remember
Topic : 01-08 The Planning and Control Cycle

17) 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."

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Medium
Bloom's : Remember
Topic : 01-08 The Planning and Control Cycle

18) Many organizations use extrinsic incentives to highlight important goals and to motivate employees to achieve them.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-06 Explain how intrinsic motivation, extrinsic incentives, and cognitive bias
Topic : 01-22 Intrinsic Motivation

19) Paying a bonus for exceeding the sales target is an example of extrinsic incentive.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-06 Explain how intrinsic motivation, extrinsic incentives, and cognitive bias
Topic : 01-23 Extrinsic Incentives

20) Managerial accounting is not mandatory.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-15 Generally Accepted Accounting Principles

21) Many customers seek to purchase products and services from socially responsible companies.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-05 Explain the elements of corporate social responsibility.
Topic : 01-20 Corporate Social Responsibility

22) Professional organizations like CPA Canada can punish companies if they violate the code of ethics.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-04 Explain the nature and importance of ethics for accountants.
Topic : 01-19 Ethics
Bloom's : Apply

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

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

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

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Topic : 01-02 The Work of Managers and their Need for Managerial Accounting Information
Bloom's : Understand
Difficulty : Medium

24) Identifying alternatives and selecting the best among them is part of which of the following activities managers carry out in organizations?

A) Controlling.
B) Directing.
C) Decision making.
D) Motivating.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Medium
Topic : 01-06 Decision Making

25) Budgeting is part of which of the following activities managers perform in organizations?

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

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Topic : 01-03 Planning
Difficulty : Easy

26) Obtaining feedback is generally identified most directly with which of these functions of management?

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

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Easy
Topic : 01-05 Controlling

27) Unstructured forms of big data include all of the following except:

A) videos.
B) memos.
C) pictures.
D) audios.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Topic : 01-07 Big Data
Bloom's : Remember

28) Five V's of big data include all of the following except:

A) variety.
B) value.
C) volume.
D) variable.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Difficulty : Easy
Topic : 01-07 Big Data
Bloom's : Remember

29) Which is the most common risk management tactic?

A) Accept the risk.
B) Avoid the risk.
C) Reduce the risk.
D) Share the risk.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

30) Which of the following best describes the function of managerial accounting within an organization?

A) It has its primary emphasis on the future.
B) It is required by regulatory bodies such as the Ontario Securities Commission.
C) It focuses on the organization as a whole, rather than on the organization's segments.
D) It places more emphasis on precision of data than financial accounting does.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-10 Comparison of Financial and Managerial Accounting

31) Upon which of the following does managerial accounting place considerable weight?

A) Generally accepted accounting principles.
B) The financial history of the entity.
C) Ensuring that all transactions are properly recorded.
D) Detailed segment reports about departments, products, and customers.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Easy
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-13 Less Emphasis on Precision

32) For internal uses, managers are more concerned with receiving information that achieves which of the following standards?

A) Completely objective and verifiable.
B) Completely accurate and precise.
C) Relevant, flexible, and timely.
D) Relevant, completely accurate, and precise.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Easy
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-11 Emphasis on the Future

33) Which of the following would be an example of a performance report?

A) An income statement reporting actual results for the past month.
B) An income statement showing the amounts budgeted for the past month.
C) A balance sheet showing the actual financial position at the end of the past month.
D) A production report showing budgeted and actual production for the past month.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Topic : 01-05 Controlling
Difficulty : Hard

34) Which of the following is**NOT** a value propositions discussed in the text?

A) Customer intimacy
B) Discount pricing
C) Operational excellence
D) Innovation

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Medium
Topic : 01-09 Strategic Management

35) Which one of the following is**NOT** an example of corporate social responsibility?

A) Safe, high- quality products that are fairly priced.
B) Full disclosure of product related risks.
C) Opportunities for training, promotion, and personal development.
D) Easy-to-use information systems for shopping and tracking orders.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-05 Explain the elements of corporate social responsibility.
Topic : 01-20 Corporate Social Responsibility

36) Which one of the following is**NOT** an activity in the controlling stage?

A) Comparing actual to planned performance.
B) Preparing an estimate for raw materials are released to production.
C) Preparing performance reports
D) Measuring performance

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Medium
Topic : 01-06 Decision Making
Topic : 01-03 Planning
Topic : 01-05 Controlling

37) Which of the following is**NOT** an example of a business risk?

A) Products harming customers.
B) A website malfunctioning.
C) A customer value proposition.
D) An employee accessing unauthorized information.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

38) 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?

A) Integrity.
B) Objectivity.
C) Competence.
D) Confidentiality.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-04 Explain the nature and importance of ethics for accountants.
Topic : 01-19 Ethics

39) 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 to obtain higher reimbursements from the firm. What should Samantha do upon discovering this evidence?

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

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 01-04 Explain the nature and importance of ethics for accountants.
Topic : 01-19 Ethics
Bloom's : Apply

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

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

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-10 Comparison of Financial and Managerial Accounting
Topic : 01-11 Emphasis on the Future
Topic : 01-12 Relevance of Data

41) Ajit, the production manager at Guelph Manufacturing Company decided to choose a supplier with a proven track record instead of a new supplier that offers significant price incentives. This is an example of:

A) Risk avoiding
B) Risk accepting
C) Risk sharing
D) Risk taking

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management
Difficulty : Hard
Bloom's : Analyze

42) Series of steps that are followed to carry out some task or activity in a business is called:

A) Business cycle.
B) Business activity.
C) Business process.
D) Business strategy.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Remember
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management

43) Which of the following groups should be the focal point of a company's strategy?

A) Employees
B) Board of directors
C) Shareholders
D) Target customers

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Bloom's : Understand
Difficulty : Hard
Topic : 01-08 The Planning and Control Cycle

44) The purpose of IFRS is:

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

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Remember
Learning Objective : 01-02 Identify the major differences and similarities between financial and mana
Topic : 01-14 Segments of an Organization

45) In Canada, CPA Code of Ethics is an instrument for enforcing professional conduct for its members and comprise the following:

A) Level of competence, confidentiality, integrity, due care and objectivity
B) Level of competence, confidentiality and integrity
C) Level of competence, confidentiality and objectivity
D) Level of competence, integrity and objectivity

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : Medium
Topic : 01-20 Corporate Social Responsibility
Learning Objective : 01-04 Explain the nature and importance of ethics for accountants.

46) Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate social responsibility?

A) Customers
B) Creditors
C) All Stakeholders
D) Suppliers

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Remember
Learning Objective : 01-05 Explain the elements of corporate social responsibility.
Topic : 01-21 Leadership

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

47) Compare financial and managerial accounting with respect to the following:

a. Audience
b. Format and data presentation
c. Data accuracy and precision

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-10 Comparison of Financial and Managerial Accounting
Bloom's : Apply

48) How much it costs a company to manufacture a particular product is one of the many questions that reports 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?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 01-01 Describe the functions performed by managers.
Topic : 01-07 Big Data
Topic : 01-11 Emphasis on the Future
Difficulty : Hard
Bloom's : Analyze

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

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 01-03 Explain the basic concept of enterprise risk management.
Topic : 01-18 Enterprise Risk Management
Bloom's : Apply

Managerial Accounting 12th Edition by Garrison Ch01

Answer Key

Test name: Ch01

1) TRUE
2) FALSE
3) TRUE
4) TRUE
5) TRUE
6) TRUE
7) TRUE
8) FALSE
9) TRUE
10) TRUE
11) FALSE
12) TRUE
13) TRUE
14) TRUE
15) TRUE
16) TRUE
17) FALSE
18) TRUE
19) TRUE
20) TRUE
21) TRUE
22) FALSE
23) B
24) C
25) C
26) C

27) B
28) D
29) C
30) A
31) D
32) C
33) D
34) B
35) C
36) B
37) C
38) C
39) A
40) C
41) A
42) C
43) D
44) B
45) A
46) C

47) a. Financial Accounting Reports to those outside the organization: Owners Creditors Tax Authorities Regulators while Managerial Accounting Reports to those inside the organization for: Planning Directing and motivating Controlling Decision making.
b. Financial Accounting must follow GAAP/ASPE/IFRS and summary data concerning the entire organization. Managerial Accounting need snot follow GAAP/ASPE/IFRS and emphasizes detailed segment reports about departments, products, and customers.
c. Financial Accounting emphasizes objectivity and verifiability and precision. Managerial Accounting is focused on relevance and timeliness. (answers may vary)

48) 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).

49) 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.