Test Bank for Cost Accounting 2nd Farmer

***Cost Accounting, 2e* (Farmer)**
Chapter 1 Cost Accounting Has Purpose

MULTIPLE CHOICE

1) An organization's mission is the same as its ________.
A) purpose
B) vision
C) objectives
D) targets
Answer: A
Explanation: An organization's mission is the same as its purpose. Mission statements are evolving to encompass purposeful outcomes for customers, local communities, and the environment, measured with both dollars *and sense*.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.1 Purpose Is Meaningful
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

2) An organization's ________ is its purpose, its reason for existing.
A) mission
B) strategy
C) initiative
D) strategic plan
Answer: A
Explanation: An organization's mission is the same as its purpose. Mission statements are evolving to encompass purposeful outcomes for customers, local communities, and the environment, measured with both dollars *and sense*.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.1 Purpose Is Meaningful
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

3) In choosing a strategy, a business begins by undertaking a thorough examination of itself and the industry within which it operates by performing a ________ analysis.
A) mission and vision statement
B) strategic initiative
C) target objective
D) SWOT
Answer: D
Explanation: In choosing a strategy, a business begins by undertaking a thorough examination of itself and the industry within which it operates by performing a SWOT analysis.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

4) A SWOT analysis allows an organization to assess its ________.
A) strategies, wealth, outlets, and targets
B) strengths, warnings, outlets, and threats
C) strengths, weaknesses, opportunities, and threats
D) strategies, wealth, opportunities, and threats
Answer: C
Explanation: A SWOT analysis allows an organization to assess its strengths, weaknesses, opportunities, and threats.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

5) A ________ helps an organization, whether for profit or nonprofit, turn its purpose into action by establishing the direction of the entity.
A) mission statement
B) strategic plan
C) SWOT analysis
D) vision
Answer: B
Explanation: A strategic plan helps an organization, whether for profit or nonprofit, turn its purpose into action by establishing the direction of the entity.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

6) An organization's strategic plan includes the why, where, and how for its existence, as represented by ________.
A) opportunities, strengths, and weaknesses
B) opportunities, strengths, and mission
C) mission, vision, and strategy
D) mission, strengths, and strategy
Answer: C
Explanation: An organization's strategic plan includes the why, where, and how for its existence, as represented by mission, vision, and strategy.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

7) Which of the following represent internal factors in the SWOT analysis?
A) Opportunities and threats
B) Strengths and weaknesses
C) Strengths and opportunities
D) Weaknesses and threats
Answer: B
Explanation: Internal factors in the SWOT include strengths and weaknesses which the company must leverage or remedy to be competitive.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

8) What is a narrative that describes what the organization will look like, or a destination to achieve, by some future date called?
A) SWOT analysis
B) Strategic plan
C) Vision
D) Mission
Answer: C
Explanation: A narrative the describes what the organization will look like, or a destination to achieve, by some future date is called a vision.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

9) Which of the following statements is correct regarding a SWOT analysis?
A) The basis for evaluation using the SWOT analysis focuses on external factors only.
B) Factors to assess in a SWOT analysis included elements described in Porter's Five Forces.
C) Insignificant in setting a company's strategy is determining the organization's critical success factors.
D) A SWOT analysis is typically used in creating the balanced scorecard.
Answer: B
Explanation: Here, the company identifies its own *internal* strengths and weaknesses, which it must leverage or remedy to be competitive. Further, a company takes stock of *external* opportunities and threats–forces that are favorable or unfavorable for the company.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

10) The correct flow of the steps in the creation of an organization's strategic plan is ________.
A) Mission and Vision→Strategies and Initiatives→Goals and Objectives→Measures and Targets→Results
B) Mission and Vision→Goals and Objectives→Strategies and Initiatives→Measures and Targets→Results
C) Strategies and Initiatives→Goals and Objectives→Mission and Vision→Measures and Targets→Results
D) Mission and Vision→Measures and Targets→Strategies and Initiatives→Goals and Objectives→Results
Answer: B
Explanation: The correct flow of the steps in the creation of an organization's strategic plan is Mission and Vision→Goals and Objectives→Strategies and Initiatives→Measures and Targets→Results.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

11) When performing a SWOT analysis, a business would ask, "What are the organization's needs-improvement areas that impede goal achievement" to address its ________.
A) strengths
B) weaknesses
C) opportunities
D) threats
Answer: B
Explanation: When performing a SWOT analysis, a business would ask, "What are the organization's needs-improvement areas that impede goal achievement" to address its weaknesses.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

12) Which of the following statements is correct?
A) A strategic plan conveys the idea of a coordinated, consolidated, short-term, organization-wide plan.
B) Many strategic plans include both short-term and long-term goals to direct the organization toward arriving at its vision.
C) Once an organization determines its mission, it does not need to change it.
D) Only for-profit entities need purpose and direction normally detailed in a strategic plan.
Answer: B
Explanation: The strategic plan is a wide-reaching set of documents detailing a company's purpose, future destination, and short- and long-term techniques for getting there.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

13) A wide-reaching set of documents detailing a company's purpose, future destination, and short-term and long-term techniques for getting there is its ________.
A) vision
B) strategic plan
C) balanced scorecard
D) SWOT analysis
Answer: B
Explanation: A wide-reaching set of documents detailing a company's purpose, future destination, and short-term and long-term techniques for getting there is its strategic plan.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

14) Which of the following is not included in an organization's strategic plan?
A) Mission (why)
B) Vision (where)
C) Timing (when)
D) Strategy (how)
Answer: C
Explanation: An organization's strategic plan includes it's why (mission), where (vision) and how (strategy). It does not include when (timing).
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

15) Porter's Five Forces used in the SWOT analysis would **not** include impacts of ________.
A) customers
B) the strategic plan
C) existing competitors
D) potential new entrants
Answer: B
Explanation: Porter's Five Forces used in the SWOT analysis do not include impacts of the strategic plan, but do include the impacts of customers, existing competitors, and potential new entrants.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

16) The current or future external challenges that are unfavorable for an organization are referred to as ________.
A) threats
B) opportunities
C) strengths
D) weaknesses
Answer: A
Explanation: The current or future external challenges that are unfavorable for an organization are referred to as threats.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

17) At a minimum, factors to assess in a SWOT analysis include elements described in ________.
A) an organization's critical success factors
B) an organization's key performance indicators (KPI)
C) Porter's Five Forces
D) the balanced scorecard
Answer: C
Explanation: At a minimum, factors to assess in a SWOT analysis include: the impacts of customers, suppliers, potential new entrants, existing competitors, and substitute products.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Understanding
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

18) What a company does well that is helpful for its goal achievement is identified as ________.
A) strengths
B) weaknesses
C) opportunities
D) threats
Answer: A
Explanation: What a company does well that is helpful for goal achievement is identified as strengths.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

19) "SMARTER" goals should be all the following except ________.
A) relevant
B) achievable
C) accountable
D) meaningful
Answer: C
Explanation: Smarter goals include A for achievable, not accountable.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.3 Your Own Strategy
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

20) ________ goals complete the circle with feedback and adjustment components, which are necessary for any good goal-setting plan.
A) BALANCED
B) STRONG
C) SMARTER
D) FLEXIBLE
Answer: C
Explanation: SMARTER goals complete the circle with feedback and adjustment components, which are necessary for any good goal-setting plan.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.3 Your Own Strategy
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

21) Which balanced scorecard perspective considers how an organization supports its people and infrastructure to drive and maintain new products and service development and growth?
A) Financial perspective
B) Customer perspective
C) Internal business process perspective
D) Learning and growth perspective
Answer: D
Explanation: The learning and growth perspective considers how an organization supports its people and infrastructure to drive and maintain new products and service development and growth.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

22) In evaluating a nonprofit organization's balanced scorecard, which perspective might receive less attention?
A) Customer perspective
B) Learning and growth perspective
C) Financial stewardship perspective
D) Internal business process perspective
Answer: C
Explanation: In evaluating a nonprofit organization's balanced scorecard, the financial stewardship perspective might receive less attention as there are no shareholders and a nonprofit is more concerned with providing positive outcomes structured around its mission statement.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

23) A performance measurement tool used to evaluate what actually happened against an organization's stated objectives which integrates an organization's vision, mission, and strategy is a ________.
A) balanced scorecard
B) SWOT analysis
C) strategic plan
D) key performance indicator
Answer: A
Explanation: A performance measurement tool used to evaluate what actually happened against an organization's stated objectives which integrates an organization's vision, mission, and strategy is a balanced scorecard.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Remembering / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

24) Which of the following represents the correct four perspectives of the balanced scorecard?
A) Financial, organizational capacity, customer, and internal business process perspectives
B) Financial, customer, internal business process, and learning and growth perspectives
C) Financial, customer, external business processes, and organization capacity perspectives
D) Customer, internal business processes, financial stewardship, and beneficiary/stakeholder perspectives
Answer: B
Explanation: The four perspectives of the balanced scorecard are financial, customer, internal business process, and learning and growth perspectives.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

25) Which of the following statements is true regarding the balanced scorecard?
A) The balanced scorecard focuses on financial measures to measure the success of an organization.
B) Governmental agencies and nonprofit organizations use the same four perspectives as for-profit organizations use in the balanced scorecard approach.
C) The balanced scorecard is a framework for measuring organizational performance using both financial and nonfinancial measures.
D) The balanced scorecard uses the five elements described in Porter's Five Forces to assess the strategies and initiatives of an organization.
Answer: C
Explanation: The statement regarding the balanced scorecard which is true is, "The balanced scorecard is a framework for measuring organizational performance using both financial and nonfinancial measures."
Diff: 2
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

26) Which of the following is a balanced scorecard perspective for governmental agencies and nonprofit organizations?
A) Customer perspective
B) Organizational capacity perspective
C) Internal business process perspective
D) Learning and growth perspective
Answer: B
Explanation: The organizational capacity perspective is the only balanced scorecard perspective for governmental agencies and nonprofit organizations.
Diff: 2
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Remembering / Applying
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

27) Which of the following statements about cost accounting is correct?
A) Cost accounting has an external focus.
B) Cost accounting is very narrow in scope.
C) Cost accounting helps owners and managers make decisions about their companies.
D) Cost accounting cannot be tied to all functional areas of a company.
Answer: C
Explanation: Cost accounting helps owners and managers make decisions about their companies is a correct statement. It has an internal focus, is very broad in scope, and is tied to all functional areas of a company.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

28) Who is at the heart of a multi-directional flow of financial information in the decision-making process?
A) Management
B) Accountants
C) Board of directors
D) Stockholders
Answer: B
Explanation: Per the diagram, accountants are at the heart of a multi-directional flow of financial information in the decision-making process.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

29) Which of the following statements is true regarding accounting in the management decision-making process?
A) The format and content of internal financial reports are determined by the framework, principles, and rules of GAAP and/or IFRS.
B) The scope of external financial reports and the level of detail within is kept private, as it is broader and more detailed than internal reports.
C) External financial reports and records are created from the same database of financial transactions that populate the internal financial reports for decision-making purposes.
D) Financial reports and records initiate the entire decision-making process for management.
Answer: C
Explanation: External financial reports and records are created from the same database of financial transactions that populate the internal financial reports for decision-making purposes. The format and content of external financial reports are determined by the framework, principles, and rules of GAAP and/or IFRS. Internal reports have more details to aid managers in the decision-making process.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

30) Which financial manager is responsible for the financial reporting process, which includes creation and monitoring of the internal controls that support financial processes?
A) Chief financial officer
B) Treasurer
C) Internal auditor
D) Controller
Answer: D
Explanation: A controller is the financial manager who is responsible for the financial reporting process, which includes creation and monitoring of the internal controls that support the financial process. The treasurer manages cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders. The chief financial officer (CFO) oversees all processes within the finance and accounting functional areas and is an important player in strategic decisions for the company.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

31) The chief financial officer is responsible for ________.
A) managing cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders only
B) the financial reporting process, which includes creation and monitoring of the internal controls that support financial processes only
C) all processes within the finance and accounting functional areas and an important player in strategic decisions for the company
D) preparing internal and external financial reports and records
Answer: C
Explanation: The chief financial officer is responsible for all processes within the finance and accounting functional areas and an important player in strategic decisions for the company. A controller is the financial manager who is responsible for the financial reporting process, which includes creation and monitoring of the internal controls that support the financial process. The treasurer manages cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

32) The financial manager who is responsible for managing cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders is the ________.
A) controller
B) treasurer
C) chief financial officer
D) auditor
Answer: B
Explanation: The financial manager who is responsible for managing cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders is the treasurer. The chief financial officer is responsible for all processes within the finance and accounting functional areas and an important player in strategic decisions for the company. A controller is the financial manager who is responsible for the financial reporting process, which includes creation and monitoring of the internal controls that support the financial process.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

33) The scope of cost accounting ________.
A) is restricted to simply methods in costing products for businesses
B) analyzes the activities and transactions of every aspect of an organization's value chain
C) includes the preparation of financial information and reports primarily for external users
D) focuses on the preparation of financial information and reports that follow GAAP rules
Answer: B
Explanation: The scope of cost accounting analyzes the activities and transactions of every aspect of an organization's value chain.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

34) The primary difference in reporting between cost accounting and financial accounting is that ________.
A) cost accounting reports support internal management decision-making, whereas financial accounting reports present financial statement information to external users and decision-makers who do not work for the company
B) cost accounting reports are externally focused, whereas financial accounting reports are internally focused
C) cost accounting reports are subject to GAAP and/or IFRS whereas financial accounting reports are not
D) cost accounting reports cannot be modified based on manager's feedback, whereas financial accounting reports are less structured
Answer: A
Explanation: The primary difference in reporting between cost accounting and financial accounting is that cost accounting reports support internal management decision-making whereas financial accounting reports present financial statement information to external users and decision-makers who do not work for the company.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

35) The decision-making framework for an organization consists of ________ steps.
A) three
B) four
C) five
D) six
Answer: C
Explanation: The decision-making process for an organization consists of five steps.
1. Clearly outline the problem and its related unknowns.
2. Identify suitable options and gather relevant qualitative and quantitative information, making informed assumptions as need be.
3. Calculate relevant costs and net benefits for each option.
4. Select the option that maximizes the benefit to the organization and meets required qualitative criteria.
5. Implement your choice.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

36) Your company has been provided with the following steps for an organization's decision-making framework. What is the appropriate order for the steps?
1. Calculate relevant costs and net benefits for each option.
2. Implement your choice.
3. Clearly outline the problem and its related unknowns.
4. Select the option that maximizes the net benefit to the organization and meets required qualitative criteria.
5. Identify suitable options and gather relevant qualitative and quantitative information, making informed assumptions as need be.
A) 5, 3, 1, 2, 4
B) 3, 5, 1, 4, 2
C) 3, 1, 5, 4, 2
D) 1, 3, 5, 4, 2
Answer: B
Explanation: The appropriate order of steps in the decision-making process is (1) Clearly outline the problem and its related unknowns; (2) Identify suitable options and gather relevant qualitative and quantitative information, making informed assumptions as need be; (3) Calculate relevant costs and net benefits for each option; (4) Select the option that maximizes the benefit to the organization and meets required qualitative criteria; and (5) Implement your choice.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

7) In any decision-making scenario, after implementing a chosen option, the next step is to ________.
A) determine how well the decision worked and to learn from that assessment
B) move on to additional problems that need to be resolved
C) set new goals and objectives that will require the use of the decision-making framework
D) identify the stakeholders in the decision and determine the financial impact of the chosen option
Answer: A
Explanation: In any decision-making scenario, after implementing a chosen option, the next step is to determine how well the decision worked and to learn from that assessment.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

38) What is the first step in the decision-making framework?
A) Identify suitable options.
B) Gather relevant quantitative and qualitative information regarding the decision.
C) Clearly outline the problem and its related unknowns.
D) Calculate relevant costs and net benefits of each option.
Answer: C
Explanation: The first step in the decision-making framework is to clearly outline the problem and its related unknowns.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

39) Prescriptive analytics ________.
A) describes what has already happened or what is currently happening and helps organizations detect patterns in data
B) involves understanding the outputs of observations and patterns and finding different ways to reach desired outcomes
C) attempts to make sense of the observations and/or patterns detected
D) uses observations and patterns detected to shape future decisions
Answer: B
Explanation: Prescriptive analytics involves understanding the outputs of observations and patterns and finding different ways to reach desired outcomes.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Applying / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

40) Which type of data analytics uses observations and patterns detected to shape future decisions?
A) Descriptive analytics
B) Diagnostic analytics
C) Predictive analytics
D) Prescriptive analytics
Answer: C
Explanation: The type of data analytics that uses observations and patterns detected to shape future decisions is predictive analytics. The goal is to figure out how data and statistical models can be leveraged to predict future outcomes for the organization.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Applying / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

41) Diagnostic analytics ________.
A) describes what has already happened or what is currently happening and helps organizations detect patterns in data
B) involves understanding the outputs of observations and patterns and finding different ways to reach desired outcomes
C) attempts to make sense of the observations and/or patterns detected
D) uses observations and patterns detected to shape future decisions
Answer: C
Explanation: Diagnostic analytics attempts to make sense of the observations and/or patterns detected, such as tracing an increase in costs to a particular cause.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Remembering / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

42) Which of the following represents the correct order of selected activities in a company's value chain?
A) Design→Research and Development→Marketing→Supply
B) Design→Research and Development→Supply→Marketing
C) Research and Development→Design→Supply→Production
D) Research and Development→Supply→Design→Marketing
Answer: C
Explanation: The correct order of selected activities in a company's value chain is: Research and Development→Design→Supply→Production
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Applying / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

43) Which of the following is not one of the data analysis techniques?
A) Predictive analytics
B) Diagnostic analytics
C) Prescriptive analytics
D) Definitive analytics
Answer: D
Explanation: Definitive analytics is not one of the data analysis techniques.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Remembering / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

44) The art and science of ________ leverages raw data into important insights that help companies make decisions.
A) the value chain
B) the supply chain analysis
C) mission analysis
D) data analytics
Answer: D
Explanation: The art and science of data analytics leverages raw data into important insights that help companies make decisions.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.2 Using Data Analytics to Problem-Solve
Bloom / AACSB: Remembering / Knowledge, Technology
AICPA: AC: Measurement, Analysis, and Interpretation, Technology and Tools
IMA: Technology & Analytics

45) A company's value chain starts with ________.
A) marketing
B) supply of inputs
C) product and/or service design
D) research and development
Answer: D
Explanation: A company's value chain starts with research and development. It comprises the required series of processes, and activities that transform a product or service from thought to finish, that is, from research and development all the way to post-sale customer service.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

46) The last step in the value chain for a company is ________.
A) the distribution to customers
B) customer service
C) marketing
D) production
Answer: B
Explanation: A company's value chain starts with research and development. It comprises the required series of processes, and activities that transform a product or service from thought to finish, that is, from research and development all the way to post-sale customer service. The last step in the value chain for a company is customer service.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

47) The ________ comprises the required series of processes, and activities within them, that transform a product or service from thought to finish.
A) decision-analysis framework
B) supply chain
C) value chain
D) cost accounting system
Answer: C
Explanation: The value chain comprises the required series of processes, and activities that transform a product or service from thought to finish–that is, from research and development all the way to post-sale customer service. The last step in the value chain for a company is customer service.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

48) A company's supply chain ________.
A) comprises the required series of processes, and activities within them, that transform a product or service from thought to finish
B) contributes to its competitive advantage and success
C) consists of the processes starting with research and development and ending with customer service
D) is the same regardless of the type of industry in which the company operates
Answer: B
Explanation: A supply chain includes the processes and activities that span sourcing of raw materials (supply) through to moving the completed product or service to customers (distribution), and all the steps in between.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

49) When selecting which activities to perform in the value chain, a company ________.
A) must consider specific rules on which processes should be handled internally
B) will never consider processes which could be outsourced
C) should use its SWOT analysis as an integral source of information in choosing which activities to insource or outsource
D) should use its decision-making framework as an integral source of information in choosing which activities to insource or outsource
Answer: C
Explanation: When selecting which activities to perform in the value chain, a company should use its SWOT analysis as an integral source of information in selecting which activities to insource or outsource.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

50) What is the first activity in the value chain for a business?
A) Research and development
B) Design
C) Production
D) Marketing
Answer: A
Explanation: The first activity in the value chain is research and development. The value chain comprises the required series of processes, and activities within them, that transform a product or service from thought to finish–from research and development to post-sale customer service.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

51) Which of the following is not a distinct activity in the value chain for a business?
A) Production
B) Distribution
C) Inspection
D) Marketing
Answer: C
Explanation: The value chain comprises the required series of processes, and activities within them, that transform a product or service from thought to finish–that is, from research and development all the way to post-sale customer service. While inspection may be necessary for quality control, it is not a distinct activity in the value chain for a business and it does not add value to the product.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

52) Which of the following is not considered a value-added activity for an automobile manufacturer?
A) Installing the steering wheel
B) Repairing defective seats after installation
C) Assembling motor parts for the engine
D) Attaching tires to the wheels of the automobile
Answer: B
Explanation: The activity which is not a value-added activity for an automobile manufacturer is the repair of defective seats installed, as this does not add value or provide measurable benefits to the final consumer.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

53) Value-added activities include which of the following?
A) Product recalls
B) Defective product repairs
C) Product assembly
D) Inventory counting
Answer: C
Explanation: Value-added activities include product assembly, as this is an activity that provides measurable benefit to the final consumer. Recalls, defective repairs, and counting inventory do not add value.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

54) What activity in the value chain provides enlightenment to many stakeholders about details of products and services offered with the goal of making sales?
A) Design
B) Production
C) Customer service
D) Marketing
Answer: D
Explanation: Providing enlightenment to many stakeholders about details of products and services offered with the goal of making sales reflects the marketing activity in the value chain.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

55) Which of the following activities in the value chain overlap with the supply chain of an organization?
A) Supply, production, marketing, and distribution
B) Research and development, production, and marketing
C) Design, production, and distribution
D) Supply, marketing, distribution, and customer service
Answer: A
Explanation: Supply, production, marketing, and distribution activities in the value chain overlap with the supply chain of an organization. The supply chain includes the processes and activities that span sourcing of raw materials (supply) through to moving the completed product or service to customers (distribution), and all the steps in between. The value chain comprises the required series of processes, and activities within them, that transform a product or service from thought to finish.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

56) Which of the following statements is true with regards to an organization's value chain?
A) Value is added in all activities except selecting, curating, purchasing, receiving, and displaying a variety of products for a target audience for a merchandiser.
B) A major consideration in optimizing the value chain is to include only those activities that are value-added, that is, to provide measurable benefits to the final consumer.
C) Manufacturers add value to raw materials by accounting for only direct labor and not manufacturing overhead since labor converts inputs into a final product.
D) From a manufacturing perspective, organizations reference their position in the value chain relative to only the customers since they are the end-user of the final product.
Answer: B
Explanation: A major consideration in optimizing the value chain is to include only those activities that are value-added. To remain competitive in the marketplace, a major consideration in optimizing the value chain is to include only value-added activities, that is, activities that provide measurable benefit to the final consumer.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

57) Ethics ________.
A) are the same as laws in a professional setting
B) reflect expected behavior left up to the principles, conscience, and decision-making of an individual person
C) represent the required behavior of an individual person based on laws and objectives of a profession
D) require CEOs of publicly traded companies to certify the accuracy of a company's reported financial information
Answer: B
Explanation: Ethics reflect expected behavior left up to the principles, conscience, and decision-making of an individual person. It prevails throughout a company and not solely at the CEO level.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

58) In the Sarbanes-Oxley Act of 2002 (SOX), the section which requires public companies to disclose if they have adopted a code of ethics for its senior officers is ________.
A) Section 302
B) Section 404
C) Section 406
D) both Sections 404 and 406
Answer: C
Explanation: Section 406 of SOX requires that public companies disclose if they have adopted a code of ethics for its senior officers. Section 302 requires CFOs and CEOs of publicly traded companies to certify the accuracy of their reported financial information. Section 404 requires management of public companies to recognize their responsibility for establishing internal controls and providing an assessment of the effectiveness of those internal controls.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

59) Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) requires that ________.
A) public companies disclose if they have adopted a code of ethics for their senior officers
B) management of public companies recognize their responsibility for establishing internal controls and provide an assessment of the effectiveness of those internal controls
C) CEOs and CFOs of publicly traded companies certify the accuracy of their reported financial information
D) public and private companies disclose if they have adopted a code of ethics company-wide
Answer: B
Explanation: Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) requires that management of public companies recognize their responsibility for establishing internal controls and provide an assessment of the effectiveness of those internal controls. Section 406 of the Sarbanes-Oxley Act of 2002 (SOX) requires that public companies disclose if they have adopted a code of ethics for its senior officers. Section 302 requires CFOs and CEOs of publicly traded companies to certify the accuracy of their reported financial information.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

60) Which section of the Sarbanes-Oxley Act of 2002 (SOX) requires CFOs and CEOs of public companies to certify the accuracy of their reported financial information?
A) Section 201
B) Section 302
C) Section 404
D) Section 406
Answer: B
Explanation: Section 302 of SOX requires CFOs and CEOs of public companies to certify the accuracy of their reported financial information. Section 404 of SOX requires that management of public companies recognize their responsibility for establishing internal controls and provide an assessment of the effectiveness of those internal controls. Section 406 of SOX) requires that public companies disclose if they have adopted a code of ethics for their senior officers.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

61) Section 302 of the Sarbanes-Oxley Act of 2002 (SOX) requires that ________.
A) CFOs and CEOs of public companies certify the accuracy of their reported financial information
B) stockholders of public companies certify the accuracy of their reported financial information
C) CFOs and CEOs of both public and private companies certify the accuracy of their reported financial information
D) stockholders of public and private companies certify the accuracy of their reported financial information
Answer: A
Explanation: Section 302 of SOX requires that CFOs and CEOs of public companies certify the accuracy of their reported financial information.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

62) The importance of providing accurate and reliable information to decision-makers and other users of accounting information is consistent with organizations having ________.
A) financially literate executive officers
B) weak internal controls but an effective ethics policy
C) a strong ethical culture
D) required certification of the financial reporting
Answer: C
Explanation: The importance of providing accurate and reliable information to decision-makers and other users of accounting information is consistent with organization having a strong ethical culture.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Understanding / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

63) Ethical considerations ________.
A) are only important in the financial accounting profession since financial reporting is primarily for external users
B) are a constant in the accounting profession and serve to keep accounting professionals in check
C) should only be monitored for executive positions since they are in a position of authority
D) are enforced by state laws and vary state by state
Answer: B
Explanation: Ethical considerations are a constant in the accounting profession and serve to keep accounting professionals in check.
Diff: 2
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

64) Which of the following is a governing body that combines standards of ethical conduct with financial accounting standards to form expectations for its members?
A) Financial Accounting Standards Board (FASB)
B) Institute of Management Accountants (IMA)
C) Institute of Internal Auditors (IIA)
D) Securities and Exchange Commission (SEC)
Answer: A
Explanation: The governing body which combines standards of ethical conduct with financial accounting standards to form expectations for its members is the Financial Accounting Standards Board (FASB).
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Understanding / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

65) The professional organization and governing body which has special expertise in the field of internal auditing is ________.
A) Financial Auditing Standards Board (FASB)
B) Institute of Management Auditors (IMA)
C) Institute of Internal Auditors (IIA)
D) Chartered Institute of Management Auditors (CGMA)
Answer: C
Explanation: The professional organization and governing body which has special expertise in the field of internal auditing is the Institute of Internal Auditors.
(IIA).
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge
AICPA: N/A
IMA: Strategy, Planning & Performance

66) The largest and most respected association focused exclusively on the advancement of the management accounting profession and provision of the highest ethical and best practices in management accounting and finance is the ________.
A) Financial Managerial Accounting Standards Board (FMASB)
B) Institute of Management Accountants (IMA)
C) Institute of Internal Auditors (IIA)
D) American Institute of Certified Public Accountants (AICPA)
Answer: B
Explanation: The largest and most respected association focused exclusively on the advancement of the management accounting profession is the Institute of Management Accountants (IMA). Its mission is to provide a forum for research, practice development, education, knowledge sharing, and advocacy of the highest ethical and best business practices in management accounting and finance.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

67) The Institute of Management Accountants (IMA) guides the management accounting and finance professions by ________.
A) helping professionals build a professional network
B) advocating for the profession in a challenging regulatory environment
C) serving as a thought-leader in cutting-edge research and industry best practice
D) all of these choices are correct
Answer: D
Explanation: The IMA guides the management accounting and finance profession by helping professionals build a professional network, advocating for the profession in a challenging regulatory environment, and serving as a though leader in cutting edge research and industry best practice.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

68) The IMA's Statement of Ethical Professional Practice includes all the following overarching ethical principles except ________.
A) honesty
B) fairness
C) subjectivity
D) objectivity
Answer: C
Explanation: The IMA's Statement of Ethical Professional Practice includes honesty, fairness, and objectivity as overarching ethical principles, but does not include subjectivity.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

69) In the event a member of the Institute of Management Accountants (IMA) encounters unethical conduct, the member should ________.
A) first discuss the issue with the CEO or President of the company
B) immediately contact an attorney to obtain legal representation in the matter
C) contact the IMA's anonymous hotline to determine how elements of the IMA Statement of Ethical Professional Practice could be applied to the ethical issue
D) do nothing, since the job of the management accountant requires confidentiality with regard to company matters
Answer: C
Explanation: In the event a member of the Institute of Management Accountants (IMA) encounters unethical conduct, the member should contact the IMA's Anonymous hotline to determine how elements of the IMA Statement of Ethical Professional Practice could be applied to the ethical issue.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Understanding / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

70) The governing body that has as its stated purpose to "empower trust, opportunity and prosperity for individuals, organizations, and economies around the globe" is the ________.
A) Securities Exchange Commission (SEC)
B) Institute of Management Accountants (IMA)
C) Institute of Internal Auditors (IIA)
D) American Institute of Certified Public Accountants (AICPA)
Answer: D
Explanation: The American Institute of Certified Public Accountants' (AICPA) stated purpose is to empower trust, opportunity and prosperity for individuals, organizations, and economies around the globe. As a separate mission, it exists to drive accounting and finance into the future, by providing users with support, skills, and insights to meet the demands of a changing world.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

71) Which governing body establishes standards of professional conduct for the accounting industry?
A) Securities Exchange Commission (SEC)
B) Institute of Management Accountants (IMA)
C) Institute of Internal Auditors (IIA)
D) American Institute of Certified Public Accountants (AICPA)
Answer: D
Explanation: The governing body that establishes standards of professional conduct for the accounting industry is the American Institute of Certified Public Accountants.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

72) Which two governing bodies partnered to establish the CGMA designation, which further enhances the recognition of management accounting?
A) AICPA and IMA
B) AICPA and U.K.'s Chartered Institute of Management Accountants
C) IMA and U.K.'s Chartered Institute of Management Accountants
D) FASB and U.K.'s Chartered Institute of Management Accountants
Answer: B
Explanation: The two governing bodies that partnered to establish the CGMA designation, which further enhances the recognition of management accounting are the AICPA and U.K.'s Chartered Institute of Management Accountants.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Ethical Conduct
IMA: Reporting & Control

73) Which of the following is not one of the principles of the AICPA's Code of Professional Conduct?
A) Integrity principle
B) Due care principle
C) Ethical principle
D) Responsibilities principle
Answer: C
Explanation: The Code of Professional Conduct expresses the profession's recognition of its responsibilities to the public, to clients, and to colleagues through the: Responsibilities principle, public interest principle, integrity principle, objectivity and independence principle, due care principle, and the scope and nature of services principle. The ethical principle is implied, but is not one of the AICPA's stated Code of Professional Conduct principles.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

74) Which of the statements regarding the AICPA's Code of Professional Conduct is correct?
A) The principles of the code call for an unwavering commitment to honorable behavior, even at the sacrifice of personal advantage.
B) The principles of the code express the profession's recognition of its responsibilities specifically to clients of CPAs.
C) The AICPA's Code of Professional Conduct enforces the expectations of ethical and professional conduct for all accountants in the industry, whether licensed/certified or not.
D) The AICPA's Code of Professional Conduct stipulates disciplinary action for ethical violations.
Answer: A
Explanation: The AICPA's Code of Professional Conduct guides its CPA members in the performance of their professional responsibilities. The principles of the code call for an unwavering commitment to honorable behavior, even at the sacrifice of personal advantage.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.2 Governing Bodies Within Accounting
Bloom / AACSB: Understanding / Knowledge, Ethics
AICPA: PC: Ethical Conduct
IMA: Professional Ethics & Values

75) A person who avoids challenges, ignores constructive feedback, and feels threatened by the success of others is most likely to have a(n) ________ mindset.
A) growth
B) adaptable
C) fixed
D) long-term learning
Answer: C
Explanation: A person who avoids challenges, ignores constructive feedback, and feels threatened by the success of others is most likely to have a fixed mindset.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.2 Fixed versus Growth Mindset
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

76) Which one of the following will least likely result when you have a growth mindset, instead of a fixed mindset?
A) The ability to embrace challenges
B) The ability to ignore feedback
C) The ability to persist when things are difficult
D) The ability to relate your efforts to the path of success
Answer: B
Explanation: Those of a fixed mindset often ignore constructive feedback and feel threatened by the success of others.
Diff: 2
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.2 Fixed versus Growth Mindset
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

77) Which of the following mindsets is best adapted to learning accounting?
A) Fixed mindset
B) Static mindset
C) Growth mindset
D) Short-term learning mindset
Answer: C
Explanation: The growth mindset is best adapted to learning accounting. Having a growth mindset, instead of a fixed mindset, will enable you to embrace challenges, persist when things are difficult, and relate your efforts to the path of success.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.2 Fixed versus Growth Mindset
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

78) The way of thinking in which intelligence can be developed and leads to a desire to learn, within a person willing to embrace challenges is referred to as a ________.
A) growth mindset
B) static mindset
C) fixed mindset
D) short-term learning mindset
Answer: A
Explanation: Having a growth mindset, instead of a fixed mindset, will enable you to embrace challenges, persist when things are difficult, and relate your efforts to the path of success.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.2 Fixed versus Growth Mindset
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

79) Per Blooms Taxonomy, to reach higher levels of learning, "Understanding" is superior to ________.
A) Ascending
B) Remembering
C) Creating
D) Developing
Answer: B
Explanation: In order to reach higher learning, "Understanding" is superior to "Remembering." Understanding is the ability to explain ideas or concepts. Remembering is the ability to recall facts and basic concepts.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

80) Bloom's Taxonomy is a useful reference for every lifelong learner since the hierarchy of learning helps to recognize that ________.
A) there is value only in certain types of learning
B) all types of learning are foundational to each other
C) ascending to the highest level implies mastery of the levels that precede it
D) remembering means building on existing abilities to create
Answer: C
Explanation: Bloom's taxonomy is a useful reference for every lifelong learner since the hierarchy of learning helps to recognize that ascending to the highest level implies mastery of the levels that precede it.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

81) Which of the following is at the top of the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: D
Explanation: Creating is the highest level of learning of the Bloom's Taxonomy hierarchy of learning pyramid and means to produce new or original work. Creating means coming up with new ideas, which is fundamental to problem-solving.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

82) Which of the following is at the bottom of the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: A
Explanation: Remembering is at the bottom of the Bloom's Taxonomy hierarchy of learning pyramid and consists of recalling facts and basic concepts.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

83) Justifying a stand or decision defines which objective in the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: B
Explanation: Evaluating in the Bloom's Taxonomy hierarchy of learning pyramid is the ability to justify a stand or decision.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

84) Producing a new or original work indicates which objective in the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: D
Explanation: Creating in the Bloom's Taxonomy hierarchy of learning pyramid is the ability to produce a new or original work.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Applying / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

85) Using information in new situations implies which objective in the Bloom's Taxonomy hierarchy of learning pyramid?
A) Apply
B) Evaluate
C) Understand
D) Create
Answer: A
Explanation: Applying in is the ability to use information in new situation.
Diff: 2
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

86) Explaining ideas or concepts relates to which objective in the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: C
Explanation: Explaining ideas or concepts relates to the objective of "Understand" in the Bloom's Taxonomy hierarchy of learning pyramid.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

87) To analyze in the Bloom's Taxonomy hierarchy of learning pyramid means to ________.
A) use information in new situations
B) create new works
C) justify a stand or decision
D) draw connections among ideas
Answer: D
Explanation: To analyze in the Bloom's Taxonomy hierarchy of learning pyramid means to draw connections among ideas.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

88) Explaining ideas or concepts relates to which objective in the Bloom's Taxonomy hierarchy of learning pyramid?
A) Remember
B) Evaluate
C) Understand
D) Create
Answer: C
Explanation: Understanding in the Bloom's Taxonomy hierarchy of learning is the ability to explain ideas or concepts.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.3 Purposeful Pedagogy
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

89) A learning method which includes a process of laying groundwork by providing context and building slowly from simple to complex ideas is called ________.
A) storytelling
B) micro lessons
C) scaffolding
D) reflection
Answer: C
Explanation: A learning method which includes a process of laying groundwork by providing context and building slowly from simple to complex ideas is called scaffolding. This enables learners at various levels to see both the big picture and its supporting ideas.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

90) Seeing an outline, which primes one to learn or prompts one to create relationships among concepts, like cause-and-effect or a series of events reflects which learning method?
A) Concept maps
B) Descriptive diagrams
C) Micro lessons
D) Storytelling
Answer: A
Explanation: Seeing an outline, which primes one to learn or prompts one to create relationships among concepts, like cause-and-effect or a series of events reflects the learning method of concept maps.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

91) Which of the following is not a learning method?
A) Storytelling
B) Micro lessons
C) Evaluation
D) Reflection
Answer: C
Explanation: Evaluation is not a learning method. Storytelling, micro lessons, and reflection are learning methods.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

92) The use of chapter-opening vignettes implements which of the following learning methods?
A) Storytelling
B) Micro lessons
C) Scaffolding
D) Reflection
Answer: A
Explanation: The use of chapter-opening vignettes implements the storytelling learning method.
Diff: 2
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

93) Pausing to consider what has been learned is called ________.
A) storytelling
B) micro lessons
C) scaffolding
D) reflection
Answer: D
Explanation: A learning method that uses pausing to consider what has been learned is called reflection, and enables you to connect the dots in your learning.
Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Strategy, Planning & Performance

BRIEF EXERCISES

94) Identify the five steps in the decision-making framework.
Answer: Step 1: Clearly outline the problem and its related unknowns.
Step 2: Identify suitable options and gather relevant qualitative and quantitative information, making informed assumptions as need be.
Step 3: Calculate relevant costs and benefits for each option.
Step 4: Select the option that maximizes benefit to the organization and meets required qualitative criteria.
Step 5: Implement your decision.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

95) Identify three financial managers and describe their responsibilities within an organization.
Answer:
1. Chief financial officer–Responsible for all processes within the finance and accounting functional areas and an important player in strategic decisions for the company.
2. Controller–Responsible for financial reporting process, which includes creation and monitoring of the internal controls that support financial processes. The controller reports directly to the chief financial officer.
3. Treasurer–Manages cash, cash equivalents, short-term investments, issuance of debt and equities, and relationships with lenders. The treasurer reports directly to the chief financial officer.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

96) Define value chain. List and describe the activities in the value chain of an organization in the order of their occurrence.
Answer: The value chain for an organization comprises the required series of processes, and activities that transform a product or service from thought to finish, or, from research and development to finished product to post-sale customer service. A product can be traced through a value chain as follows:
1. Research and Development – Inception of an idea and its resulting development
2. Design – Collaboration for best possible solutions for approved product/service ideas
3. Supply – Supply of inputs such as direct materials and direct labor, or merchandise inventory
4. Production – Actually making the product or providing service
5. Marketing – Providing enlightenment to many stakeholders on the details of products or services offered, with the goal of making sales
6. Distribution – Means of delivering product or service to customer
7. Customer Service – After the sale of the product or service to customer, follow-up such as technical support, returns, or troubleshooting offered to customers.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

97) List at least two different learning methods used in this text, and include an example of how the method is used. (Students' answers may vary.)
Answer:
1. Concept maps – outlines, chapter roadmaps, learning objectives.
2. Descriptive diagrams – pictures, illustrations, solutions.
3. Micro lessons – practice and Now You Do It lessons.
4. Scaffolds – comprehensive demonstration exercises and problems.
5. Storytelling – chapter opening vignettes, data analytics in action boxes.
6. Reflection – end-of-chapter questions.
Diff: 2
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Applying / Knowledge
AICPA: PC: Professional Behavior
IMA: Professional Ethics & Values

EXERCISES

98) Identify and describe the individual "SMARTER" goals.
Answer: SMARTER goals help to complete the personal strategy circle giving feedback and adjustment components for any goal-setting plan. The following reflect the SMARTER goals:
- Specific – Make it clear.
- Meaningful – It must matter to you, or you won't stick with it, and it also must be measurable.
- Achievable – Make goals tough, but achievable, and you won't psych yourself out early.
- Relevant – Does it connect with your purpose and the rest of your life?
- Time-bound – Set a firm date and work toward it.
- Evaluate – Do regular, honest check-ins on your progress toward your goals.
- Readjust – Based on your evaluation, adjust your plan as needed. If you are not meeting your goals, you may simply need to change your path towards it (readjust).

Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.3 Your Own Strategy
Bloom / AACSB: Remembering / Understanding
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

99) Identify and describe the 4 perspectives in the balanced scorecard for governmental agencies and nonprofit organizations.
Answer: The balanced scorecard for governmental agencies and nonprofit organizations uses different names for their multiple perspectives to better align with their purpose. These four perspectives are as follows:
1. Beneficiary/stakeholder perspective – focuses on the positive outcomes of those served by the nonprofit organization.
2. Financial stewardship perspective – optimizes utilization of available resources to complete the organization's mission.
3. Business process perspective – focuses on improving internal and external processes that will sustain its purpose, like improving service delivery and strengthening partnerships.
4. Organization capacity perspective – focuses on improving the organization's infrastructure to remain a viable entity.

Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

100) Differentiate between financial accounting and cost accounting.
Answer:

	Cost Accounting	**Financial Accounting**
Area of focus	- Internally focused	- Externally focused
Purpose	- Designed to support internal management decision-making.	- Presents select financial information to external users and decision-makers who don't typically work for the company. - Such external users might be investors, stock analysts, regulators, lenders, suppliers, competitors, customers, or others.
Scope	- Far broader than simply costing products. - It analyzes the activities and transactions of an organization's value chain from inception of an idea through sales and customer service.	- The details, format, and content required by GAAP or IFRS.
Types of reports used	- Unlimited – Reports can be arranged and presented in any reasonable way that supports managers' needs. - Managers' feedback modifies the types of reports created. - Internal reports can initiate transactions. If internal users notice errors, they will correct them, furthering the two-way nature of the information collection and reporting cycle.	- The details, format, and content required by GAAP or IFRS.

Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

101) What does Sarbanes-Oxley Act of 2002 (SOX) address regarding weaknesses in the financial reporting process?

Answer: Sarbanes-Oxley Act of 2002 represents a key regulation related to the accounting profession which was implemented to address many previous weaknesses in the financial reporting process. The following three sections of SOX specifically address these concerns:

Section 302–This section requires CEOs and CFOs of public companies to certify the accuracy of the organization's reported financial information.

Section 404–This section now requires management of public companies to recognize their responsibility for establishing internal controls and provide assessment of the effectiveness of these internal controls, which underlie all business processes and the financial statement reporting of the entity.

Section 406–This section requires public companies to disclose if they have adopted a code of ethics for its senior officers.

Diff: 2

LO: 3: Outline the frameworks, including ethics, that guide the profession.

Section: 1.3.1 The Importance of Ethics in Business

Bloom / AACSB: Remembering / Knowledge, Ethics

AICPA: PC: Ethical Conduct

IMA: Professional Ethics & Values

102) Explain the roles of the Institute of Management Accountants (IMA) and the American Institute of Certified Public Accountants (AICPA) in the field of accounting.

Answer:

1. Institute of Management Accountants (IMA) – Focuses on the advancement of the management accounting profession. It provides a forum for research, practice development, education, knowledge sharing, and advocacy of the highest ethical and best business practices in management accounting and finance. It also serves as the leading resource for developing, certifying, connecting, and supporting the world's best accountants and financial professionals in business. It has established its own Statement of Ethical Professional Practice.
2. American Institute of Certified Public Accountants (AICPA) – Its mission is to power the success of global business, CPAs, CGMAs, and specialty credentials by providing the most relevant knowledge, resources, and advocacy, and by protecting the evolving public interest. Its vision is to be the world leader in driving vitality, relevance, and quality across the accounting profession, furthering its trust and influence. It has established its own Code of Professional Conduct.

Diff: 1

LO: 3: Outline the frameworks, including ethics, that guide the profession.

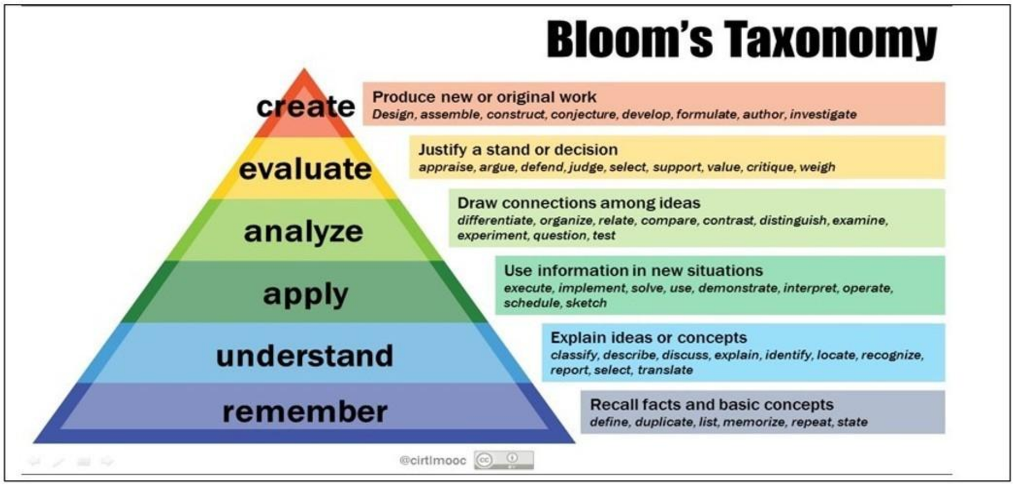
Section: 1.3.2 Governing Bodies Within Accounting

Bloom / AACSB: Understanding / Knowledge, Ethics

AICPA: PC: Professional Behavior, Ethical Conduct

IMA: Professional Ethics & Values

103) Diagram the Bloom's Taxonomy hierarchy of learning.
Answer:



Diff: 1
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.4 How This Text Can Help You Learn
Bloom / AACSB: Remembering / Knowledge
AICPA: PC: Professional Behavior
IMA: Professional Ethics & Values

SHORT ESSAY

104) Identify and describe the 5 elements of a strategic plan.
Answer:
1. Mission and Vision – Mission is an organization's purpose (what drives the organization) and the mission is vision is a narrative that describes what the organization will look like, or a destination to achieve, by some future date. The strategic plan is formed to move the organization toward that vision.
2. Goals and Objectives – Goals and objectives direct the organization towards its vision. Goals are long-term, whereas objectives are short-term. Companies might use a balanced scorecard to organize goals.
3. Strategies and Initiatives – The selection of strategies and initiative is based on the "how" in achieving the goals and objectives. This is most effectively done when a business prepares a SWOT analysis, evaluating its strengths, weaknesses, opportunities, and threats.
4. Measures and Targets – Performance measures should be set with dollars and dates to be achieved. Key performance indicators (KPIs) in the industry are appropriate means of measurement.
5. Results – These can be financial or nonfinancial and represent the sum of the company's actual performance, measured against the targets which are previously set. Variances are determined based on this comparison, and the process begins again using feedback from the results. If using a balanced scorecard approach, companies will now update the goals previously created with the actual results.

Diff: 2
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Applying / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

105) Explain what a SWOT analysis is and its purpose in developing a company's strategy.
Answer: A SWOT analysis involves the identification of an organization's strengths, weaknesses, opportunities, and threats. Strengths and weaknesses focus on internal factors, whereas opportunities and threats emphasize external factors. In identifying the elements in the SWOT analysis, a company may ask itself the following questions:
Strengths – What does the organization do well that is helpful for goal achievement?
Weaknesses – What are the organization's "needs improvement" areas that impede goal achievement?
Opportunities – What are the current or future external prospects that are favorable to the organization?
Threats – What are the current or future external challenges that are unfavorable to the organization?
At a minimum, factors to assess in a SWOT analysis would include elements described in Porter's Five Forces – impacts of customers, suppliers, potential new entrants, existing competitors, and substitute products. Vital to setting a company's strategy is determining the organization's critical success factors which are the specific competencies the organization uses to its competitive advantage.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.2 Company Strategy: Turning Purpose into Action
Bloom / AACSB: Understanding / Knowledge
AICPA: BC: Strategic Perspective
IMA: Strategy, Planning & Performance

106) Define a balanced scorecard and identify and describe the four perspectives used in the balance scorecard for a for-profit organization.
Answer: The balanced scorecard is a framework of measuring organizational performance using both financial and nonfinancial measures. Organizations often use this approach as a management tool as a means of organizing its goals with results by integrating it with an organization's mission, vision, and strategy to evaluate what actually happened against the company's stated goals and objectives. Managers must balance the success of the four elements within their organization to achieve success using the four perspectives shown below.
1. Financial perspective – considers the shareholder and how metrics like growth, profit, and risk impact shareholder value and translate into financial success.
2. Customer perspective – considers the customer and includes metrics that create value for the customer, while often measuring customer satisfaction and retention.
3. Internal business process perspective – considers processes internal to a company that are responsible for creating value for the customer and shareholder.
4. Learning and growth perspective – considers how an organization supports its people and infrastructure to drive and maintain new products and service development and growth.
Diff: 1
LO: 1: Explore the elements that support a company's purpose, as well as your own.
Section: 1.1.4 Measures, Targets, and Results on the Balanced Scorecard
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Strategy, Planning & Performance

107) Define cost accounting and its major focuses.
Answer: Cost accounting helps owners and managers make decisions about their organizations. It has an internal focus and is broad in scope. It is tied to all functional areas of a company and embodies the idea that "accounting is the language of business." Cost accounting focuses on the process of decision-making and analysis by gathering and analyzing information for decision-making purposes including the use of data analytics. It also addresses management control by evaluating the culture of an organization and how management makes decisions by looking at how goals and objectives are set and evaluation of the performance of the organization against these goals.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

108) Explain how accountants support the management decision-making process.
Answer: Accountants play a supportive role in the management decision-making process. Management decision-making initiates the process with the financial information which is prepared by accountants. Likewise, the day-to-day transactions populate a financial database of information which is available to accountants to analyze for either internal or external reporting purposes. Every detail in the financial information system is used to generate internal financial reports and records which is then used by management to make decisions for the organization. This detail is kept private within the organization. Accountants are also responsible for using the same information generated by the organization's financial information systems to create external financial reports and records which must adhere to a set framework, principles, and rules of GAAP (or IFRS).
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.1 Big Picture Thinking and Decision-Making
Bloom / AACSB: Applying / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

109) What is the supply chain?
Answer: The supply chain of an organization includes the processes and activities that span sourcing of raw materials (supply) through moving the completed product or service to customers (distribution), and the inherent logistics of all steps in between. It reflects the combination of supply, production, marketing, and distribution activities and contributes to the competitive advantage and overall success of the organization.
Diff: 1
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Remembering / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

110) What is outsourcing vs. insourcing and why are these concepts important in the value chain?
Answer: Outsourcing occurs when an organization has entire processes or activities performed by external organizations. Insourcing means completing activities within the value chain in-house. Regarding value chain activities, organizations must determine which activities to undertake in-house or to outsource as elements of a company's mission, vision, strategy and an effective SWOT analysis.
Diff: 2
LO: 2: Connect the purpose of cost accounting with the role of accountants in organizations.
Section: 1.2.3 The Value Chain
Bloom / AACSB: Understanding / Knowledge
AICPA: AC: Measurement, Analysis, and Interpretation
IMA: Reporting & Control

111) Explain the importance of ethics in business.
Answer: Ethics serve to keep the behavior or professionals and society-at-large in check; ethics are necessary parameters by which to live. Ethics should be incorporated into every management decision made and provide an additional layer or lens from which to think. The importance of providing accurate and reliable information to decision-makers and other users of accounting information is consistent with organizations having a strong ethical culture. If an organization has ethical breaches, or if management is allowed to disseminate false information with no accountability, chaos could occur.
Diff: 1
LO: 3: Outline the frameworks, including ethics, that guide the profession.
Section: 1.3.1 The Importance of Ethics in Business
Bloom / AACSB: Understanding / Knowledge, Ethics
AICPA: AC: Measurement, Analysis, and Interpretation; PC: Ethical Conduct
IMA: Professional Ethical Behavior

112) Explain the difference between a fixed mindset and a growth mindset and identify which is best for a lifelong learner or a career in accounting.
Answer: The way of thinking where intelligence is static or set is defined as a fixed mindset. Such thinkers tend to plateau early and may not reach their true potential, since they give up easily when faced with failure, avoid challenges, see effort as fruitless, ignore constructive feedback, and feel threatened by the success of others. This type of mindset may limit the potential for a promising career, and thus is not optimal for a lifelong learner of a career in accounting.

The way of thinking where intelligence is developed over time, and leads to a desire to continuously learn is defined as a growth mindset. Such thinkers embrace challenges, persist when faced with difficulties, relate efforts to success, value constructive feedback and criticism, and are inspired by the success of others. This level of thinking helps people to reach the highest level of achievement and is optimal for a lifelong learner or a career in accounting.
Diff: 2
LO: 4: Increase your chances of success by becoming a lifelong learner.
Section: 1.A.2 Fixed versus Growth Mindset
Bloom / AACSB: Applying / Knowledge
AICPA: PC: Professional Behavior
IMA: Professional Ethics & Values