

**Test Bank for Managerial Accounting -
Tools for Business Decision Making
Canadian CDN 7th Weygandt**

Managerial Accounting, 7Ce (Weygandt)
Chapter 1 Managerial Accounting

TRUE-FALSE STATEMENTS

1) Management accounting and financial accounting, while in the same field, are mutually exclusive disciplines.

Answer: FALSE

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Comprehension

AACSB: Analytic

CPA: Management Accounting

2) Given the decision to employ straight-line amortization or a usage-based amortization method, the management accountant's need to report the most relevant economic information to external users will determine which method is used.

Answer: FALSE

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Comprehension

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CPA: Management Accounting

3) Decision making is an integral part of the planning, directing, and motivating functions, but not of the controlling function.

Answer: FALSE

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

4) Employees with staff positions serve other employees, while those with line positions work directly in line with the company's revenue generating goals.

Answer: TRUE

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

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5) Activity-based costing is a method of allocating overhead costs to products.

Answer: TRUE

Diff: 1

Learning Objective: 1.4 Identify changes and trends in managerial accounting.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

MULTIPLE CHOICE QUESTIONS

6) Managerial accounting _____.

A) information generally pertains to an entity as a whole and is very detailed

B) applies only to manufacturing companies

C) focuses primarily on reports for both internal and external users

D) provides tools that help management make decisions and evaluate the effectiveness of those decisions

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

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7) Reports scrutinized by managerial accountants _____.

A) do not include those focused on business subunits

B) do not include non-financial data relevant to business decision making

C) are highly aggregated

D) are special purpose for specific decisions

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

8) Managerial accounting _____.

A) is concerned with costing products

B) is governed by generally accepted accounting principles

C) pertains to the entity as a whole and is highly aggregated

D) places emphasis on special-purpose information

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

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9) Managerial accounting information is generally prepared for _____.

- A) shareholders
- B) managers
- C) regulatory agencies
- D) investors

Answer: B

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Comprehension

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10) Managerial accounting information _____.

- A) pertains to the entity as a whole and is highly aggregated
- B) must be prepared according to generally accepted accounting principles
- C) pertains to subunits of the entity and may be detailed
- D) is prepared only once a year

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

11) The major reporting standard for management accounting is _____.

- A) the Standards of Ethical Conduct for Practitioners of Management Accounting and Financial Management
- B) the Sarbanes-Oxley Act of 2002
- C) relevance to decisions
- D) generally accepted accounting principles

Answer: A

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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12) Managerial accounting applies to which of the following forms of business organizations?

- A) sole proprietorship
- B) partnership
- C) corporation
- D) all forms of business organizations

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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13) Which of the following is **false** in terms of the reason companies replace a CEO with a management committee?

- A) to enhance decision-making
- B) to improve collaboration
- C) to avoid disruption associated with replacing a CEO
- D) to reduce management continuity

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

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14) Managerial accounting is also called _____.

- A) inside reporting
- B) cost accounting
- C) management accounting
- D) strategic management

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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15) Which of the following is **not** an internal user?

- A) corporate officers
- B) staff employees
- C) stockholders
- D) department manager

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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16) Which of the following is **not** part of managerial accounting?

- A) determining whether planned goals are being met
- B) reporting financial information to the shareholders
- C) calculating product costs
- D) controlling costs

Answer: B

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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17) Which of the following uses managerial accounting?

- A) manufacturing and service entities, but not merchandising
- B) profit-oriented businesses only
- C) service, manufacturing, and merchandising entities
- D) only manufacturing entities

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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18) Which one of the following tasks would **not** be performed by a management accountant?

- A) being concerned with the impact of cost and volume on profits
- B) strategic cost management
- C) assisting in budget planning
- D) preparing reports primarily for external users

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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19) How often are internal managerial reports communicated?

- A) as frequently as needed
- B) annually
- C) during every audit by the company's CPA
- D) monthly

Answer: A

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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20) Which description identifies financial statements that are prepared for external users?

- A) external reports
- B) special purpose
- C) user-specific
- D) general-purpose

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

Bloom's Taxonomy: Knowledge

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21) Which term describes managerial accounting reports?

- A) GAAP reports
- B) special purpose
- C) general-purpose
- D) regulatory reports

Answer: B

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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22) Which of the following statements about internal reports is true?

- A) Most internal reports are summarized rather than detailed.
- B) Internal reports focus on general-purpose needs of users.
- C) The content of internal reports extends beyond the double-entry accounting system.
- D) Internal reports are often very general.

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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23) Which one of the following describes internal reports?

- A) They are often audited by CPAs.
- B) They must be prepared according to GAAP.
- C) They are aggregated.
- D) They are detailed.

Answer: D

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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24) Which of the following reports would management find useful in decision making?

- A) monthly reports on activities to the Board of Directors
- B) quarterly reporting to the Toronto Stock Exchange
- C) specific purpose statements on services delivered
- D) audited financial information in the annual report to shareholders

Answer: C

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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25) How often should management receive or prepare reports on its *internal* process activities?

- A) on a fixed time basis
- B) as often as is necessary
- C) never more than monthly
- D) weekly

Answer: B

Diff: 1

Learning Objective: 1.1 Explain the distinguishing features of managerial accounting.

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CPA: Management Accounting

26) How often should management receive or prepare reports on its *external* business process activities?

- A) as they correspond to external financial reporting
- B) never more than monthly
- C) according to the company's business cycle
- D) as often as is necessary

Answer: D

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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27) A company must inform readers of its annual report of _____.

- A) all changes in financial accounting policies
- B) results of any overseas activities
- C) all changes in internal accounting information
- D) changes to management's bonus system

Answer: A

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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28) How could management information assist in motivating its employees?

- A) by keeping track of quality improvements
- B) by highlighting the company's percent of market share
- C) by presenting the statistics on plant safety
- D) All areas would benefit from providing internal management information.

Answer: D

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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29) In establishing a good internal reporting system, a company should _____.

- A) ensure that these reports agree to generally accepted accounting principles
- B) have the Board of Directors agree to the information provided
- C) establish clearly understood standards of performance
- D) All of the above are valid reasons

Answer: C

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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30) What broad functions do the management of an organization perform?

- A) directing, manufacturing, and controlling
- B) planning, directing, and controlling
- C) planning, directing, and selling
- D) planning, manufacturing and controlling

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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31) Which one of the following involves coordinating a company's activities to produce a smooth-running operation?

- A) auditing
- B) controlling
- C) planning
- D) directing

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

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32) Which one of the following does the planning function involve?

- A) analyzing financial statements
- B) setting goals and objectives for an entity
- C) hiring the right people for a particular job
- D) coordinating the accounting information system

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

33) Which one of the following is true concerning the managerial function of controlling?

- A) It includes performance evaluation by management.
- B) It is concerned mainly with operating a manufacturing segment.
- C) It is performed only by the controller of a company.
- D) It includes hiring and training employees.

Answer: A

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Comprehension

AACSB: Analytic

CPA: Management Accounting

34) Which of the following represents two management functions?

- A) regulating and directing
- B) controlling and directing
- C) controlling and auditing
- D) auditing and planning

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

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CPA: Management Accounting

35) Which management function is a manager performing when objectives are being established?

- A) regulating
- B) planning
- C) motivating
- D) directing

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Comprehension

AACSB: Analytic

CPA: Management Accounting

36) The organizational chart of a company shows _____.

- A) the interrelationships of activities within a company
- B) the delegation of authority within a company
- C) the delegation of responsibility within a company
- D) all of the above

Answer: D

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

37) Which function is achieved when a manager is determining whether planned goals are being met?

- A) controlling
- B) motivating
- C) planning
- D) directing

Answer: A

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Comprehension

AACSB: Analytic

CPA: Management Accounting

38) What activities and responsibilities are **not** associated with management's functions?

- A) planning
- B) accountability
- C) controlling
- D) directing

Answer: B

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

39) Directing includes _____.

- A) providing a criteria framework for management when needed, to assist in terminating employees
- B) running a department under quality control standards that are universally accepted
- C) coordinating a company's diverse activities and human resources to produce a smooth-running operation
- D) developing a performance ranking system to give certain high performers substantial raises

Answer: C

Diff: 1

Learning Objective: 1.2 Identify the three broad functions of management and the role of management accountants in an organizational structure.

Bloom's Taxonomy: Knowledge

AACSB: Analytic

CPA: Management Accounting

40) Which of the following is true?

- A) Generally Accepted Accounting Principles (GAAP) form the backbone of managerial accounting conventions, and local and/or regional standards and professional judgment allow for variations among practitioners.
- B) Each province in Canada has its own code of ethics and rules and guidelines of professional conduct.
- C) The Sarbanes-Oxley Act in the U.S. and similar legislation in Canada aims to guide ethical standards used in management accounting practices.
- D) Chartered Professional Accountants of Canada plays an important role in promoting high standards of ethics in the accounting profession, excluding managerial accounting.

Answer: B

Diff: 1

Learning Objective: 1.3 Explain the importance of business ethics.

Bloom's Taxonomy: Comprehension

AACSB: Ethics

CPA: Management Accounting