

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

- 1) Management accounting is guided by generally accepted accounting principles. 1) _____
- 2) Managerial accounting and cost accounting both measure and report financial and non-financial information relating to the cost of acquiring or utilizing resources. 2) _____
- 3) Cost accounting provides information for both management and financial accounting. 3) _____
- 4) Management accountants are not required to follow the generally accepted accounting principles that are used for external financial reporting when preparing reports for internal users. 4) _____
- 5) Managers typically receive reports on cost planning and controls that should be considered for internal use only. 5) _____
- 6) There are three (3) basic business strategies; low cost, premium products, and customer satisfaction. 6) _____
- 7) Companies with a strategy of low prices compete on their ability to offer unique new products or services that are priced higher than their competition. 7) _____

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

- 8) In what way do managers benefit from the use of a database, or "data warehouse"? 8) _____
 - A) Data can be entered at numerous input terminals within the organization.
 - B) Managers can store old documents in hard copy.
 - C) The managers could combine or adjust these data to answer the questions from particular internal and external users.
 - D) The managers would not be completely responsible for the information that is entered into the database system.
 - E) Managers could generate their own reports.
- 9) Financial accounting is concerned primarily with 9) _____
 - A) providing analysis to facilitate long term decision making.
 - B) providing information for strategic and tactical decisions.
 - C) external reporting to investors, government authorities, etc.
 - D) cost planning and cost controls.
 - E) profitability analysis.
- 10) The text identifies six ways to classify the major differences between Management and Financial Accounting. The "managers of the organization" is an example of which of the following classes of differences? 10) _____
 - A) Focus and emphasis
 - B) Rules of measurement and reporting
 - C) Time span and type of reports
 - D) Primary users
 - E) Purpose of information

- 11) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Varies from hourly to 15 to 20 years" is an example of which of the following classes of differences? 11) _____
- A) Purpose of information
 - B) Primary users
 - C) Rules of measurement and reporting
 - D) Time span and type of reports
 - E) Focus and emphasis
- 12) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Past oriented (reports on 2010 performance prepared in 2011)" is an example of which of the following classes? 12) _____
- A) Focus and emphasis
 - B) Purpose of information
 - C) Rules of measurement and reporting
 - D) Time span and type of reports
 - E) Primary users
- 13) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Communicate organization's financial position to external users" is an example of which of the following classes? 13) _____
- A) Primary users
 - B) Purpose of information
 - C) Focus and emphasis
 - D) Rules of measurement and reporting
 - E) Time span and type of reports
- 14) Which of the following is not something management accountants should do to satisfy their users? 14) _____
- A) consider financial as well as non-financial measures
 - B) continuously strives to provide better quality information faster, and at a lower cost
 - C) provide specialized information that given users can use
 - D) provides relevant information efficiently and on a timely basis
 - E) focus exclusively on internal users
- 15) "Cost management" describes 15) _____
- A) actions by managers to satisfy customers while maintaining current cost levels.
 - B) the satisfaction of customers' needs.
 - C) the actions by managers to increase value for customers while continuously reducing and controlling costs.
 - D) the identification of excessive costs in the production process.
 - E) ensuring all costs remains constant.

- 16) Do you agree that prior management decisions affect cost management? 16) _____
- A) Yes. Managers should always follow prior management decisions, for example, in the determination of the EOQ.
 - B) No. Managers should ignore prior management decisions.
 - C) Yes. Prior management decisions can affect any area of the business operations, and commit the organization to the subsequent or continued incurrence of costs in such areas as material handling, and plant construction, for example.
 - D) Yes. The only prior management decisions that can affect cost management going forward, are concerned with employee wages. All other decisions can be changed.
 - E) Yes. Managers should always strive to lower the costs incurred last year, as their number 1 priority.
- 17) Management accounting 17) _____
- A) must be simple and easily understood.
 - B) helps creditors evaluate the company's performance.
 - C) helps managers make decisions.
 - D) is useful for external and internal users.
 - E) all of the above
- 18) In "CIM" plants, _____ give instructions that are automatically set up. 18) _____
- A) competitors
 - B) engineers
 - C) computers
 - D) plant managers
 - E) customers
- 19) Which of the following are strategic decisions? 19) _____
- A) Match quality of goods to price customers are willing to pay.
 - B) Seek sources of competitive advantage.
 - C) Describe the opportunities employees should seek.
 - D) Choose how to compete in the long-term.
 - E) All of the above

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

- 20) Describe management accounting and financial accounting. 20) _____

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

- 21) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Assume you are opening a small food outlet across the street from your campus. How might that business be operated under each of the two broad strategies? Consider the following specific operational areas:
- a. target customers
 - b. products offered
 - c. product pricing
 - d. location choice
 - e. advertising content
 - f. advertising media

- 22) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Is it possible to follow a strategy that is "in the middle"?

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

- 23) In the value chain, Research and Development generates and experiments with new ideas related to new products. 23) _____
- 24) The value chain includes the following functions: research and development; design of products, services, or processes; production; marketing; distribution; customer service; and management satisfaction. 24) _____
- 25) In the value chain, Research and Development is the detailed planning and engineering of products, services, or processes. 25) _____
- 26) There are 8 business functions in the value chain. 26) _____
- 27) Value chain and supply chain are two (2) terms describing the same set of business functions. 27) _____
- 28) Sub-contracting a business function is part of supply chain management. 28) _____
- 29) Customers are expecting higher levels of quality and are less tolerant of low quality than in the past. 29) _____
- 30) Key success factors directly affect customer satisfaction, such as quality, time, and innovative products and services. 30) _____
- 31) A budget is a quantitative expression of a proposed plan of action by management. 31) _____
- 32) Information used to project budgeted amounts does not include non-financial information. 32) _____

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

- 33) The value chain is the 33) _____
A) sequence of functions in which value is added at specific target areas of improvement.
B) sequence of business functions in which customer usefulness is added to the products or services of an organization.
C) sequence of business functions in which value is deducted from the products or services of an organization.
D) process by which products and services are critiqued for their value.
E) sequence of business functions in which value is proportionately added to the products or services of an organization.
- 34) What aspect of business analysis focuses on the sequence of business functions? 34) _____
A) value chain
B) research and development
C) quality
D) product design
E) customer service

- 35) Which of the following is FALSE concerning the value chain of business functions? 35) _____
- A) Senior managers from individual parts of the value chain have a responsibility in deciding on the organization's overall strategy.
 - B) The value chain includes all activities from the idea stage through to providing support to customers.
 - C) An organization can realize gains from having individual parts of the value chain work concurrently.
 - D) Managers should always proceed sequentially through the value chain, since distribution for example cannot occur before production is completed.
 - E) Senior managers from individual parts of the value chain have a responsibility in deciding on the how resources are to be obtained and used, and how rewards are to be given.
- 36) When a company works with its supplier to reduce material-handling costs, this is an example of 36) _____
- A) a key success factor.
 - B) total value-chain or supply chain analysis.
 - C) the customer-driven approach.
 - D) a conflict of interest.
 - E) a strategic marketing focus.
- 37) Determining the number of components to put into a computer monitor is an example of which of the following value chain functions? 37) _____
- A) distribution
 - B) production
 - C) marketing
 - D) research and development
 - E) design of products, services, and processes
- 38) Developing a new website to display and demonstrate the company's products would be part of which value chain function? 38) _____
- A) distribution
 - B) research and development
 - C) design of products, services, and processes
 - D) production
 - E) marketing
- 39) Customer response time describes 39) _____
- A) the speed at which we respond to our customers' requests.
 - B) the speed at which our competitors respond to our customers' requests.
 - C) the speed at which our customers respond to our competitors' requests.
 - D) the speed at which our customers respond to our requests.
 - E) None of the above
- 40) To be successful a company should be 40) _____
- A) management driven.
 - B) customer driven.
 - C) executive driven.
 - D) employee driven.
 - E) "driven" by the board of directors.

- 41) There is many aspects of a company that managers should focus on. Which of the following is not a key success factor for managers in terms of today's customer satisfaction? 41) _____
- A) ensuring that cost and quality don't change
 - B) more reliable delivery dates
 - C) increased quality
 - D) innovative products and services.
 - E) reduced costs
- 42) R&D, production, and customer service are business functions that are all included as part of 42) _____
- A) the company strategy.
 - B) benchmarking.
 - C) the supply chain.
 - D) marketing.
 - E) the value chain.
- 43) The value chain is the sequence of business functions in which 43) _____
- A) value is proportionately added to the products or services of an organization.
 - B) usefulness is added to the products or services of an organization.
 - C) value is deducted from the products or services of an organization.
 - D) rational experimentation is performed to enhance product compatibility.
 - E) products and services are evaluated with respect to their value to the supply chain.
- 44) Whose perceptions of the company's products or services are the most important to the manager? 44) _____
- A) customers' perception
 - B) president's perception
 - C) competitors' perception
 - D) board of directors' perception
 - E) stockholders' perception

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

- 45) Classify each cost item into one of the business functions of the value chain, either (1) R&D, (2) design, (3) production, (4) marketing, (5) distribution, or (6) customer service. 45) _____
- Item:
- a. cost of samples mailed to promote sales of a new product
 - b. labor cost of workers in the manufacturing plant
 - c. bonus paid to a person with a 90% satisfaction rating in handling customers with complaints
 - d. transportation costs for shipping products to retail outlets
- 46) List and briefly describe each function in the value chain. Provide an example for each of the value chain functions identified. 46) _____

47) Hardcover Company incurs the following costs when it manufactures books.

47) _____

1. Cost of customer order forms.
2. Cost of paper used in manufacture of books.
3. Cost of paper used in packing cartons to ship books.
4. Cost of paper used in display at national trade show.
5. Amortization of delivery trucks.
6. Amortization of the wood used in the manufacturing plant.
7. Salary of the scientists attempting to find another source of printing ink.

Required:

Classify each one of them according to one of the value chain functions below:

- a. Research and development.
- b. Design of products, services, and processes.
- c. Production.
- d. Marketing.
- e. Distribution.
- f. Customer service.

48) Johnson Advertising Agency incurs the following costs in its service activities. Classify each one of them according to one of the value chain functions.

48) _____

1. Amortization of the artist design desk.
2. Cost of computer time used to create designs for customers.
3. Cost of updating an ad for a customer.
4. Cost of computer time used by a salesperson.
5. Cost of changing an unsuccessful ad after client complains that ad targeted wrong customers.
6. Cost of materials used in the layout of a magazine ad.

49) Customers are demanding that companies use the value chain and supply chain to deliver ever-improving levels of performance regarding key success factors. Briefly describe each of the following key success factors : cost and efficiency; quality; time; innovation. For each key success factor give an example an activity that relates to that factor; and, the effect of that activity on the value chain.

49) _____

50) Describe the value chain and how it can help organizations become more effective.

50) _____

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

- 51) Cyclone Car Company tries to assign appropriate responsibilities to all of its managers. Production managers receive reports which accumulate information of the shop operations for each plant. Plant operations are further aggregated in the report received by the vice president of manufacturing. These reports show the budgeted and actual operating results for the current month and year-to-date. These, along with inventory status reports, provide the major source of production information for the next planning period. Managers evaluate the variances and determine whether operations are in or out of control. If variances are large, appropriate action is taken, i.e., the plans are changed.

The company's profits have been decreasing, and management has requested similar aggregate sales data from marketing. It is felt that this added information will suffice for its decision-making needs.

Required:

Do you agree? Why? Do you foresee any needs that will not be met by this information? If so, what additional information do you suggest that management be provided by the management accounting system?

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

- 52) Planning is choosing goals, predicting results under various alternative ways of achieving those goals, and then deciding how to attain the desired goals. 52) _____
- 53) Management by exception concentrates on improving areas that are operating as expected. 53) _____
- 54) Control includes the performance evaluation of personnel and operations. 54) _____
- 55) Variance refers to the difference between planned and budgeted amounts. 55) _____
- 56) The problem-solving function is the accumulation of data and reporting reliable results to all levels of management. 56) _____
- 57) Scorekeeping, attention directing, and problem solving abilities are three of the most important functions of management accountants. 57) _____

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

- 58) A budget is defined as 58) _____
A) the quantitative expression of a plan and an aid in controlling income.
B) an aid in coordinating and implementing a plan.
C) the qualitative expression of a plan.
D) the quantitative expression of a plan of action by management.
E) an aid in controlling income.
- 59) Understanding the reasons for any difference between actual results and budgeted amounts is an important aspect of 59) _____
A) extended value-chain analysis.
B) kaizen management.
C) management by exception.
D) management by perception.
E) forecasting for the next accounting period.

- 60) Which of the following is a major benefit of utilizing a budgeting system? 60) _____
- A) Once a successful budget is developed, it can be re-used year after year.
 - B) It forces coordination and communication
 - C) It always results in more profitable decisions.
 - D) It is easier for managers than traditional decision-making models.
 - E) It saves costs by utilizing historical data to make projections.
- 61) Once a plan is implemented, the control process 61) _____
- A) ensures that managers follow the pre-existing plan.
 - B) should allow the originating manager(s) to keep lower-level managers from making changes.
 - C) requires top management permission to change.
 - D) should be followed rigidly.
 - E) should be flexible.
- 62) A well-conceived plan allows managers to have the ability to 62) _____
- A) underestimate the costs so that actual operating results will be favourable when comparisons are made.
 - B) take advantage of unforeseen opportunities.
 - C) stay with the pre-existing plan when things start to change for the better.
 - D) leave the system and let the plan continue on its own.
 - E) stay the course regardless of the outcome.
- 63) A variance is considered to be 63) _____
- A) the difference allowed in the current production costs.
 - B) the difference between the original budget and the final adjusted budget.
 - C) the difference between the historical cost and the current cost.
 - D) the difference between budgeted amounts and actual results.
 - E) the difference between current operating costs and last year's operating costs.
- 64) Which of the following is not a use of feedback, from a manager's perspective? 64) _____
- A) to improve past performances
 - B) to predict future events
 - C) to search for alternative ways of reaching goals
 - D) changes the reward system
 - E) to change goals
- 65) Changes in the way managers run their departments often force them to re-evaluate the design and operation of the 65) _____
- A) financial accounting system.
 - B) management accounting system.
 - C) current decision-making process.
 - D) performance appraisal system.
 - E) security system.
- 66) Management accountants' responsibilities concentrate on 66) _____
- A) comparing the financial advantages of alternatives.
 - B) financing the purchase of fixed assets.
 - C) external reporting.
 - D) internal auditing of multi-divisional units.
 - E) scorekeeping, attention-directing or the problem-solving function.

- 67) _____ is responsible for accumulating and reporting reliable results to all levels of management. 67) _____
- A) Scorekeeping
 - B) Problem solving
 - C) Attention directing
 - D) An accounting system
 - E) Management accounting
- 68) Which of the following lists a scorekeeping activity first, followed by an attention-directing activity, followed by a problem-solving activity? 68) _____
- A) recording sales, comparing the financial advantages of leasing a fleet of vehicles, and highlighting rapidly growing markets where the company may be under funding its investment
 - B) recording purchases from vendors, purchase returns and accounts payable
 - C) recording sales, highlighting rapidly growing markets where the company may be under-funding its investment, and comparing the financial advantages of leasing a fleet of vehicles
 - D) recording sales to customers, explaining ways to avoid cost overruns, and recording purchases from vendors
 - E) recording sales to customers, customer returns, and accounts receivable
- 69) _____ means reporting and interpreting information that helps managers to focus on operating problems, imperfections, inefficiencies, and opportunities. 69) _____
- A) Problem-solving
 - B) Scorekeeping
 - C) Budgeting
 - D) Attention-directing
 - E) Planning
- 70) _____ is the aspect of accounting that quantifies the likely results of possible courses of action and often recommends the best course to follow. 70) _____
- A) Scorekeeping
 - B) Controlling
 - C) Record keeping
 - D) Attention-directing
 - E) Problem-solving
- 71) Preparation of a monthly report comparing the actual phone bill with the expected phone costs would be classified as 71) _____
- A) controlling.
 - B) problem-solving.
 - C) scorekeeping.
 - D) planning.
 - E) attention-directing.

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

- 72) Most organizations exist in a changing environment and, therefore, depend greatly on various types of feedback to adjust to the changes. Give four uses of feedback and provide examples of how each is used. 72) _____

73) Six uses of feedback are given below. Match each independent statement with one of the feedback uses.

73) _____

Uses of feedback:

- a. Changing goals.
- b. Changing how decision alternatives are identified.
- c. Changing managers.
- d. Changing the range of information collected in order to make predictions.
- e. Changing how the company operates.
- f. Changing reward systems.

Independent Statements:

1. Quality control activities have been moved from the end of the assembly line to critical points along the assembly line.
2. Home office changes stock option plans.
3. Jackson Company increases emphasis on cash flow rather than income, after prior liquidity problems lead to bankruptcy.
4. The Economic Order Quantity (EOQ) and reorder points of the inventory system are being converted to automatic processing on the computer to increase the information for forecasting inventory demand.
5. MLB Company contracts with an outside janitorial service rather than continuing with its own cleaning crew.
6. AMB Company is adopting online meetings to identify which product lines to establish.
7. Local Computer Company incorporates average inflation forecasts for wages when predicting future labour costs.
8. Altec Company considers basing its marketing bonuses on the profitability of sales rather than on the dollar amount of sales.

74) Three functions of management accountants are listed below. For each of the independent activities give the function that best describes what is being undertaken.

74) _____

Functions:

- a. Scorekeeping.
- b. Attention-directing.
- c. Problem-solving.

Independent activities:

1. A report comparing actual and budgeted waste percentages from a chemical process in a herbicide plant.
2. The monthly report to management of sales by product.
3. Explaining the variances in Department 23's labour report.
4. Preparing a budget report for each department.
5. Analyzing the effects of a new product on the cost of the production process.
6. A comparison of the financial advantages of leasing a building versus purchasing one.

75) For each type of report listed below, identify one planning decision and one controlling decision for which the information would be helpful. Assume you are a Walgreen Company store.

75) _____

Item:

- a. annual financial statements for the past three years
- b. report detailing sales by department by each hour of the day for the past week
- c. special study regarding increased road traffic due to the construction of a new shopping mall at a near-by intersection

76) Three functions of management accountants are listed below. For each of the independent activities give the function that best describes what is being undertaken.

76) _____

Functions:

- a. Scorekeeping.
- b. Attention-directing.
- c. Problem-solving.

Independent activities:

1. A report of the average customer balance in accounts receivable.
2. The monthly report of production variances in terms of units produced and dollars over/under budget.
3. Explaining the cash shortages in cash registers of a retail store.
4. Preparing an analysis of divisional sales by product and territory.
5. Reporting the effects of a new environmental requirement on one of our products.
6. A schedule of bad debts for the credit manager.

77) For each of the following activities, identify whether the main role of accounting is (1) problem solving, (2) scorekeeping, or (3) attention directing.

77) _____

Item:

- a. analyzing the impact of introducing a new product on production
- b. comparing results between actual costs and budgeted costs for each step of manufacturing a product
- c. preparing a report that analyzes changes in cost resulting from reducing the number of tubing sizes used during production from six down to two
- d. reporting sales by branch for the sales manager

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

78) Jayhawk Basketballs manufactures and distributes rebounding equipment. The company is having a problem coordinating its marketing and production efforts. Every time marketing has a special promotion in a certain part of the country, production either cannot deliver the products or distribution has them in the wrong part of the country. In addition, the company has had several production stoppages due to insufficient raw material stock at the manufacturing plant.

Required:

In terms of the information system, what appears to be the main problems? What action can be taken to improve the situation?

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

- 79) As users of the information produced by management accounting systems, managers are forced to reevaluate the design and operation of these systems. 79) _____
- 80) The cost-benefit approach is the primary consideration for choosing amongst alternatives. 80) _____
- 81) Line management exists to provide advice and assistance to staff departments. 81) _____
- 82) The controller is also called the CFO. 82) _____

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

- 83) The method recommended for a management accountant in dealing with a resource-allocation decision is 83) _____
A) management by exception.
B) cost-benefit approach.
C) analysis based on feedback.
D) total value chain analysis.
E) variance analysis approach.
- 84) The primary criterion for choosing among alternative accounting systems is 84) _____
A) cost minimization.
B) improving information flow.
C) achievement of organizational goals.
D) reduction in the amount of time required to perform a particular job.
E) how well they help achieve organizational goals in relation to the costs incurred for these systems.
- 85) The primary reason for implementing a new budgeting system for an organization is 85) _____
A) the historical costs will be recaptured.
B) the relative expected benefits of the new system exceed its costs.
C) managers' need for more information for variance analysis.
D) the expected benefits exceed the costs of the old system.
E) managers' need for more information in making better purchasing decisions.
- 86) An example of a Staff management function would be 86) _____
A) determining that new equipment is required.
B) ensuring that environmental standards are met.
C) developing quality standards for production.
D) being responsible for attaining a set level of plant income.
E) preparing operating cost estimates for proposed new equipment.
- 87) The person(s) directly responsible for the attainment of organizational objectives is/are 87) _____
A) the chief financial officer.
B) the internal auditor.
C) both staff and line management.
D) staff management.
E) line management.

- 88) As teamwork has become more prominent in the last few years, the traditional distinctions between staff and line management 88) _____
- A) has diminished.
 - B) has become less clear cut in the employee reward system.
 - C) has become more important relative to promotions.
 - D) has increased.
 - E) has only been evident in the employee reward system.
- 89) The _____ is also called the chief financial officer. 89) _____
- A) controller
 - B) treasurer
 - C) finance director
 - D) chief executive
 - E) internal auditor
- 90) Which of the following is the financial executive primarily responsible for both management and financial accounting? 90) _____
- A) internal auditor
 - B) treasurer
 - C) chief financial officer
 - D) external auditor
 - E) controller
- 91) Which of the following individuals focuses on reporting and interpreting relevant financial information used to manage the company? 91) _____
- A) controller
 - B) accounting manager
 - C) line management
 - D) chief financial officer
 - E) treasurer

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

- 92) An accountant, as a member of a professional organization, must follow only those ethical requirements as are prescribed by the organization they belong to, such as the Society of Management Accountants of Canada. 92) _____
- 93) CMA's are required to follow the formal codes of ethical conduct provided by the Accounting Standards Board. 93) _____
- 94) A profession is distinguished by certain characteristics. "An outlook that is essentially objective" is not one of these characteristics. 94) _____

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

- 95) Corporate social responsibility is 95) _____
A) the mandatory integration by companies of social and environmental concerns into their business operation.
B) codified in international trade agreements.
C) the voluntary integration by companies of social and environmental concerns into their business operation.
D) legislated by government and enforced by the courts.
E) the same as code of ethics passed by the board of governors of a company.
- 96) What is the professional designation for management accountants? 96) _____
A) Certified Financial Executive
B) Certified General Accountant
C) Certified Management Accountant
D) Chartered Accountant
E) Chartered Management Accountant
- 97) Professional ethics for a Certified Management Accountant in Canada were established by 97) _____
A) the CIMA.
B) the CICA.
C) the SMAC.
D) the CGAC.
E) the FASB.
- 98) The Code of Professional Ethics for management accountants includes concepts related to 98) _____
A) clarity in reports.
B) responsibilities to disseminate accounting knowledge to the general public.
C) the overriding requirement of loyalty to your employer/client.
D) protecting the image of the association by never divulging apparently unethical conducts by another member.
E) responsibility, fairness, confidentiality, and independence.
- 99) Which of the following would likely not constitute a breach of ethics for a management accountant? 99) _____
A) to consider disclosing confidential information in order to further your own career
B) to omit pertinent information from a report because it is unfavourable to you
C) to report the unethical actions of another party, with the expectation that this will further your own career
D) to profit personally from confidential information obtained from your client / employer (eg sell shares based on confidential information that the share value will decline soon)
E) to consider disclosing confidential information (ie gained from a third party) in order to assist your employer / client
- 100) Ethical issues would include all of the following EXCEPT 100) _____
A) dealing with a supervisor's instructions to carry out an unethical act.
B) being aggressive in arguing for increased compensation for yourself.
C) conflicts of interest.
D) manipulation of financial statement results in order to help your employer and save co-workers jobs.
E) not admitting past mistakes.

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

- 101) A company may employ CMA's and other persons who are required to meet certain standards of professional conduct due to their membership in relevant professional organizations. These standards of conduct often include the areas of responsibility, competence, fairness and independence. However, holding only a few people responsible for sound professional conduct does not make a company behave ethically.

Required:

What can a company do to increase the likelihood of its employees being ethical in all their undertakings?

Answer Key

Testname: UNTITLED1

- 1) FALSE
- 2) TRUE
- 3) TRUE
- 4) TRUE
- 5) TRUE
- 6) FALSE
- 7) FALSE
- 8) C
- 9) C
- 10) D
- 11) D
- 12) A
- 13) B
- 14) E
- 15) C
- 16) C
- 17) C
- 18) C
- 19) E
- 20) Management accounting provides information to internal decision makers of the business such as top executives, managers, sales representatives, and production supervisors. Its purpose is to help managers predict and evaluate future results. Reports are generated often and usually broken down into smaller reporting divisions such as department or product line. There are no rules to be complied with since these reports are for internal use only. Management accounting embraces more extensively such topics as the development and implementation of strategies and policies, budgeting, special studies and forecasts, influence on employee behavior, and nonfinancial as well as financial information.

Financial accounting, by contrast, provides information to external decision makers such as investors and creditors. Its purpose is to present a fair picture of the financial condition of the company. Reports are generated quarterly or annually and report on the company as a whole. The financial statements must comply with GAAP (generally accepted accounting principles). A CPA audits, or verifies, that the GAAP are being followed.

Answer Key

Testname: UNTITLED1

- 21) The purpose of this question is to explore some of the differences in business operations as a result of a broad strategic choice. Answers will differ from student to student, but you should see some specific themes.

Operational Area	Low Price Strategy	Differential Strategy
Target customers	Target customers might be students on a tight budget.	Target customers might be more wealthy students, faculty, or perhaps neighbors who live nearby.
Products offered	Few products, heavy emphasis on tight cost control, probably set up as a high volume operation.	High quality products, probably a reasonable choice, restaurant might have a lot of ambience.
Product pricing	Priced at or lower than the competition in the area.	Higher priced products.
Location choice	Convenient to the target customers.	Not as convenient, perhaps in a higher-end shopping or entertainment area. Customers might seek out the high quality and be willing to travel a bit for it.
Advertising content	Advertising would emphasize the low price of the products offered.	Advertising would emphasize quality or ambience.
Advertising media	Media that would be looked at by the target customers, such as student newspapers.	Media that would be looked at by the target customer, local magazines and newspapers.

- 22) There is some dispute about the correct answer to this question. Some will argue that it is not good for companies to get "caught in the middle" because the customer might get confused as to whether or not the company is competing on price or is trying to make some other appeal. If the customer is confused about how the company is giving them value, they might perceive they are getting no value and abandon the product to a competitor with a clearer customer value proposition. The other side of the argument is that cost management is a necessary part of any strategy and even if the company chooses to pursue a differential strategy, management of the company should always be seeking ways to manage costs and increase customer value simultaneously regardless of their strategy. The student should be able to articulate one or the other arguments coherently.

- 23) FALSE
24) FALSE
25) TRUE
26) FALSE
27) FALSE
28) TRUE
29) TRUE
30) TRUE
31) TRUE
32) FALSE
33) B
34) A
35) D
36) B
37) E

Answer Key

Testname: UNTITLED1

38) E

39) A

40) B

41) A

42) E

43) A

44) A

45) a. (4) marketing

b. (3) production

c. (6) customer service

d. (5) distribution

46) RESEARCH AND DEVELOPMENT—the generation of, and experimentation with, ideas related to new products, services, or processes.

DESIGN OF PRODUCTS, SERVICES, AND PROCESSES—the detailed planning and engineering of products, services, or processes.

PRODUCTION—the coordination and assembly of resources to produce a product or deliver a service.

MARKETING—the manner by which individuals or groups (a) learn about and value the attributes of products or services and (b) purchase those products or services.

DISTRIBUTION—the mechanism by which products or services are delivered to the customer.

CUSTOMER SERVICE—the support activities provided to customers.

47) 1. d. Marketing

2. c. Production

3. e. Distribution

4. d. Marketing

5. e. Distribution

6. c. Production

7. a. Research and development

48) 1. Design of products, services, and processes

2. Design of products, services, and processes

3. Production

4. Marketing

5. Customer service

6. Production

Answer Key

Testname: UNTITLED1

- 49) Cost: Organizations are under continuous pressure to reduce the cost of the products or services they sell. Understanding the tasks or activities that cause costs is useful in calculating and managing the cost of products. Outsourcing is an example of a function that can reduce product costs; e-business is another example. Both activities can reduce costs along the value chain.

Quality: Customers are expecting higher levels of quality and are less tolerant of low quality than in the past. TQM is a management process undertaken to improve operations throughout the value chain to produce and deliver products and services that exceed customers' expectations with zero or minimal defects and waste.

Time: Time has many components: the time taken to develop and bring new products to market; the speed at which an organization responds to customer requests; and the reliability with which promised delivery dates are met. Organizations are under pressure to complete activities faster and to meet promised delivery dates more reliably than in the past in order to increase customer satisfaction. Reducing bottlenecks along the value chain is one method of being more time efficient.

Innovation: There is now heightened recognition that a continuing flow of innovative products or services is a prerequisite for the ongoing success of most organizations. R&D decisions are at the beginning of product development so affect many of the processes that follow in the value chain.

- 50) A value chain is a sequence of business functions whose objective is to provide a product to a customer or provide an intermediate good or service in a larger value chain. These business functions include R&D, design, production, marketing, distribution, customer service.

An organization can become more effective by focusing on whether each link in the chain adds value from the customer's perspective and furthers the organization's objectives.

- 51) The operating and variance information received by management of Cyclone Car is only a part of the total information set required to make managerial decisions which deal with the efficient allocation of the firm's resources in accordance with the policies and goals of the firm. The firm's collection of information needs to be expanded to encompass external market and economic information, analysis of causes of unacceptable variances, and evaluations of production efficiency using measures other than dollars (for example, quality).

- 52) TRUE
- 53) FALSE
- 54) TRUE
- 55) FALSE
- 56) FALSE
- 57) TRUE
- 58) D
- 59) C
- 60) B
- 61) E
- 62) B
- 63) D
- 64) A
- 65) B
- 66) E
- 67) A
- 68) C
- 69) D
- 70) E
- 71) E

Answer Key

Testname: UNTITLED1

72) CHANGING GOALS—change from total sales to share of market.

CHANGING HOW DECISION ALTERNATIVES ARE IDENTIFIED—team based instead of individual bases

CHANGING THE RANGE OF INFORMATION COLLECTED IN ORDER TO MAKE PREDICTIONS – Bell Canada incorporates average inflation forecasts for wages when predicting future labour costs.

CHANGING THE RANGE OF INFORMATION COLLECTED IN ORDER TO MAKE PREDICTIONS—use of historical data plus current economic conditions to forecast upcoming period.

CHANGING HOW THE COMPANY OPERATES—installing just-in-time inventory systems for a traditional batch inventory system.

CHANGING REWARD SYSTEMS —paying sales personnel on commission rather than salary.

CHANGING MANAGERS – good-bye Martha Stewart, at least for a while.

73) 1. e.

2. f.

3. d.

4. d.

5. e.

6. b.

7. d.

8. f.

74) 1. b. Attention-directing

2. a. Scorekeeping

3. c. Problem-solving

4. a. Scorekeeping

5. c. Problem-solving

6. c. Problem-solving

75) Note that answers will vary, but may include the following:

a. Planning: Decision by shareholder about whether to purchase more stock in the company.

Control: Decision by bank to determine if financial ratios maintained in the line-of-credit (LOC) agreement warrant increasing the LOC amount.

b. Planning: Decisions regarding future staffing needs.

Control: Decision regarding whether the recent sales promotion led to an increase in revenue.

c. Planning: Decision of the store manager about whether to change the types of retail items carried.

Control: Decision of the store manager regarding performance of the analyst that prepared the special study.

76) 1. a. Scorekeeping

2. b. Attention-directing

3. c. Problem-solving

4. b. Attention-directing

5. c. Problem-solving

6. b. Attention-directing

77) a. (1) problem solving

b. (3) attention directing

c. (1) problem solving

d. (2) scorekeeping

Answer Key

Testname: UNTITLED1

- 78) The system does not provide timely, accurate, clear, or relevant information to management. Without this type of information, management cannot manage the physical activities of the organization. It is not able to make correct managerial and strategic decisions without proper information. It needs to set up an information system in which both marketing and production communicate directly with each other about all special marketing plans and production runs. The management accounting system should be involved in the production system anyway, and it could be the conduit to provide the interchange of information between production and marketing.
- 79) TRUE
- 80) TRUE
- 81) FALSE
- 82) FALSE
- 83) B
- 84) E
- 85) B
- 86) E
- 87) E
- 88) A
- 89) C
- 90) E
- 91) A
- 92) FALSE
- 93) FALSE
- 94) FALSE
- 95) C
- 96) C
- 97) C
- 98) E
- 99) C
- 100) B
- 101) A company can begin by establishing its own code of professional ethics. This establishes the general value system that the organization wishes to apply to its employees' activities. A code communicates the organizational purposes and beliefs to employees and establishes uniform guidelines for all decision making. Because laws and rules cannot cover all situations, organizations can benefit from having an ethical code to provide guidance in situations which have unclear solutions. A code establishes standards against which individuals can measure their own performance. Finally, there needs to be clear ethical leadership from the top.