

Managerial Accounting, 2e
Braun/Tietz/Harrison
Test Item File
Chapter 1: Introduction to Managerial Accounting

- 1.1-1 Controlling means overseeing the company's day-to-day operations.
- Answer: False
LO: 1-1
Diff: 1
EOC: QC1-1
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.1-2 Managerial accounting gathers, summarizes, and reports the cost and revenue data relevant to each decision that is made.
- Answer: True
LO: 1-1
Diff: 1
EOC: QC1-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.1-3 Evaluating the results of business operations against a plan and then making adjustments to that plan is called budgeting.
- Answer: False
LO: 1-1
Diff: 1
EOC: QC1-1
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.1-4 The four primary responsibilities of managers are planning, directing, controlling, and decision making.
- Answer: True
LO: 1-1
Diff: 1
EOC: QC1-1
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

1.1-5 Managerial accounting develops reports that help internal parties effectively and efficiently run the company.

Answer: True

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.1-6 Directing means setting goals and objectives for the company and determining how to achieve them.

Answer: False

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.1-7 Budgets are the quantitative expression of management's plans.

Answer: True

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.1-8 Which of the following is NOT one of the primary responsibilities of management?

A. Controlling

B. Decision-making

C. Adhering to GAAP

D. Directing

Answer: C

LO: 1-1

Diff: 2

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-9 Planning involves which of the following activities?
- A. Setting goals and objectives for the company
 - B. Overseeing the company's day-to-day operations
 - C. Evaluating the results of operations
 - D. None of the above

Answer: A

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-10 When management compares the budget to actual results, which of the following is being fulfilled?
- A. Directing
 - B. Controlling
 - C. Decision-making
 - D. Planning

Answer: B

LO: 1-1

Diff: 2

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-11 Which of the following management responsibilities are being fulfilled when management uses feedback to take corrective action on the budgets?
- A. Directing and planning
 - B. Planning and decision-making
 - C. Controlling and decision-making
 - D. Planning and controlling

Answer: C

LO: 1-1

Diff: 2

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-12 Which of the following management responsibilities is being fulfilled when management decides to move production to another country to lower costs?
- A. Directing
 - B. Planning
 - C. Decision-making
 - D. All of the above

Answer: D

LO: 1-1

Diff: 3

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-13 Which one of the following manager responsibilities encompasses the other three?
- A. Decision-making
 - B. Feedback
 - C. Planning
 - D. Controlling

Answer: A

LO: 1-1

Diff: 2

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-14 Using product cost information to determine sales prices is an example of:
- A. controlling, planning, and decision-making.
 - B. directing, controlling, and planning.
 - C. directing, planning, and decision-making.
 - D. controlling, directing, and planning.

Answer: C

LO: 1-1

Diff: 3

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-15 Reviewing hourly sales reports to determine the level of staffing needed to service customers fulfills which of management's four primary responsibilities?
- A. Directing, planning, and decision-making
 - B. Directing, controlling, and planning
 - C. Controlling, planning, and decision-making
 - D. Analyzing, directing, and planning

Answer: A

LO: 1-1

Diff: 3

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-16 Budgets are the way that managers can express their:
- A. plans.
 - B. decision-making.
 - C. control.
 - D. hiring practices.

Answer: A

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-17 Comparing actual results to budgets is an example of the management function of:
- A. controlling.
 - B. decision-making.
 - C. directing.
 - D. planning.

Answer: A

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-18 Overseeing the day-to-day operations of a company is an example of the management function of:
- A. controlling.
 - B. decision-making.
 - C. directing.
 - D. planning.

Answer: C

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-19 Preparing budgets is an example of the management function of:
- A. controlling.
 - B. decision-making.
 - C. directing.
 - D. planning.

Answer: D

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.1-20 Evaluating results against the plan is an example of the management function of:
- A. controlling.
 - B. decision-making.
 - C. directing.
 - D. planning.

Answer: A

LO: 1-1

Diff: 1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.1-21 What are the four primary responsibilities of managers as described in the chapter? Give an example of each type of responsibility.

Answer:

The following are managers' four primary responsibilities:

- a. Planning: An example of planning is when the manager of a local McDonald's restaurant makes the schedule of employee work hours for the upcoming week.
- b. Directing: An example of directing is when the manager of the local McDonald's adjusts the menu to reflect local tastes and preferences.
- c. Controlling: An example of controlling is when the manager of the local McDonald's compares the actual number of hamburger patties used over the past week to the budgeted number of hamburger patties.
- d. Decision-making: The owners of the local McDonald's franchise analyze the potential of the current location and decide to open a second location five miles away in a popular shopping plaza.

Note that student examples of each type of responsibility may vary.

LO: 1-1

Diff: 2

EOC : E1-8

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.2-1 The design of a management accounting system should consider how reports affect employees' behavior.

Answer: True

LO: 1-2

Diff: 2

EOC: E1-9

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.2-2 GAAP must be followed when managerial accounting reports are prepared.

Answer: False

LO: 1-2

Diff: 1

EOC: QC1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-3 Management accounting requires independent audits of the firm's books.
- Answer: False
LO: 1-2
Diff: 1
EOC: E1-19
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-4 The primary purpose of managerial accounting information is to help external users make investing and lending decisions.
- Answer: False
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-5 The primary users of managerial accounting information are internal users such as managers.
- Answer: True
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-6 The primary managerial accounting product is the company's audited financial statements.
- Answer: False
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-7 Managerial accounting information emphasizes relevance, more than reliability and objectivity.
- Answer: True
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting.

- 1.2-8 Managerial accounting information tends to report on segments of the business.
- Answer: True
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-9 Managerial accounting reports are always prepared on a quarterly and annual basis.
- Answer: False
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-10 Managerial information is always based on historical transactions with external parties.
- Answer: False
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.2-11 Which of the following statements is TRUE about managerial accounting information?
- A. It is prepared annually and quarterly.
B. It is audited by CPAs.
C. It emphasizes relevance.
D. It must be prepared in conformity with generally accepted accounting principles (GAAP).
- Answer: C
LO: 1-2
Diff: 1
EOC: S1-2
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.2-12 Management accounting focuses on:
A. external reporting.
B. internal reporting.
C. tax preparation.
D. auditing.

Answer: B

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-13 The person MOST likely to use ONLY financial accounting information would be the:
A. bank loan officer.
B. plant manager.
C. vice president of plant operations.
D. product manager.

Answer: A

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-14 Which of the following types of information are used in managerial accounting?
A. Financial information
B. Nonfinancial information
C. Forecasts of future earnings
D. All of the above

Answer: D

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-15 Which of the following persons or groups would be LEAST likely to receive detailed managerial accounting reports?
- A. Plant managers
 - B. Current shareholders
 - C. Sales territory managers
 - D. CEO

Answer: B

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-16 Which of the following types of accounting is designed to meet the needs of decision-makers inside a company?
- A. Audit accounting
 - B. Financial accounting
 - C. Managerial accounting
 - D. Tax accounting

Answer: C

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-17 The primary goal of managerial accounting is to provide information to:
- A. shareholders.
 - B. creditors.
 - C. internal decision-makers.
 - D. both shareholders and creditors.

Answer: C

LO: 1-2

Diff: 1

EOC S1-2:

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-18 The primary goal of financial accounting is to provide information for:
- A. potential investors.
 - B. creditors.
 - C. governmental regulators.
 - D. all of the above.

Answer: D

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-19 Which of following is TRUE?
- A. Management accounting focuses on historical transactions.
 - B. Financial accounting uses the cash basis for recording transactions.
 - C. Financial accounting focuses on future data.
 - D. Management accounting focuses on relevant data.

Answer: D

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-20 Which statement is TRUE?
- A. Management uses reports created for internal parties.
 - B. Management uses financial information to plan internal operations.
 - C. Management uses financial information to analyze costs.
 - D. All of the above are true.

Answer: D

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-21 Which of the following statements is FALSE?
- A. Financial accounting provides sufficient information for managers to effectively plan and control operations.
 - B. Financial accounting reports help creditors make decisions.
 - C. Financial accounting helps investors make decisions.
 - D. Financial accounting provides external reports.

Answer: A

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-22 Which of the following is TRUE?
- A. Managerial accounting reports are audited by CPAs.
 - B. Managerial accounting reports provide detailed internal information.
 - C. Managerial accounting reports aid potential investors.
 - D. Managerial accounting reports must follow GAAP.

Answer: B

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-23 Which of the following are the internal decision-makers of a company?
- A. Vendors
 - B. Customers
 - C. Managers
 - D. Shareholders

Answer: C

LO: 1-2

Diff: 1

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-24 Which of the following reports must be audited by an outside agency?
- A. Annual financial statements
 - B. Monthly financial statements
 - C. Annual financial budgets
 - D. All of the above

Answer: A

LO: 1-2

Diff: 2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-25 Which of the following groups are external users of financial information?
- A. Customers of the company
 - B. Vendors of the company
 - C. Potential investors of the company
 - D. All of the above

Answer: D

LO: 1-2

Diff: 1

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-26 Which of the following groups are most likely to use a company's budget information?
- A. Managers
 - B. Customers
 - C. Creditors
 - D. Suppliers

Answer: A

LO: 1-2

Diff: 1

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-27 Decision makers inside a company are its:
- A. creditors.
 - B. customers.
 - C. managers.
 - D. shareholders.

Answer: C

LO: 1-2

Diff: 1

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-28 Owners of a company are its:
- A. creditors.
 - B. customers.
 - C. managers.
 - D. shareholders.

Answer: D

LO: 1-2

Diff: 1

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-29 Information for external parties about past performance is provided by:
- A. budget reports.
 - B. financial accounting reports.
 - C. managerial accounting reports.
 - D. planning reports.

Answer: B

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-30 Information for internal parties about past performance is provided by:
- A. budget reports.
 - B. financial accounting reports.
 - C. managerial accounting reports.
 - D. planning reports.

Answer: C

LO: 1-2

Diff: 1

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.2-31 Discuss at least four differences between financial accounting and managerial accounting.

Answer:

Item	Managerial accounting	Financial accounting
Primary users	Internal	External
Purpose of information	To help managers make decisions	To help investors and creditors make decisions
Focus	Segments	Entire organization as a whole
Frequency	As needed	Quarterly and annually
Auditing	Not subject to audit	Publicly held companies are audited
Required?	No	Required by GAAP, SEC, IRS, and others
Time frame focus	Future	Past (historical transactions)

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.2-32 Is financial accounting or managerial accounting more useful to a plant (factory) manager? Explain your answer.

Answer:

Managerial accounting is likely to be much more useful to a plant manager than financial accounting. Financial accounting typically gives financial information for the company as a whole; the plant manager would find very little information in the financial accounting reports which relate directly to the plant environment and the performance of the plant itself. Managerial accounting, on the other hand, could provide the plant manager with information relating to just the plant. Examples of some types of information provided by managerial accounting are:

- a. a comparison of budgeted costs versus actual costs.
- b. tracking of safety incidents.
- c. quality costs.
- d. product line profitability.
- e. profitability by shift.

(Student examples may vary.)

LO: 1-2

Diff: 2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.3-1 The CFO of a company is responsible for the day-to-day running of the company.

Answer: False

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.3-2 The treasurer and the controller report directly to the CFO.

Answer: True

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-3 The internal audit department reports directly to the subcommittee of the board of directors called the audit committee.
- Answer: True
LO: 1-3
Diff: 1
EOC: E1-11
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-4 In most companies, managerial accountants no longer perform routine mechanical accounting tasks.
- Answer: True
LO: 1-3
Diff: 1
EOC: E1-10
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-5 Managerial accountants are now considered to be similar to advisors and business analysts.
- Answer: True
LO: 1-3
Diff: 1
EOC: E1-10
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-6 Oral and written communications skills are considered among the most valuable skills a management accountant can possess.
- Answer: True
LO: 1-3
Diff: 1
EOC: E1-10
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-7 Technology has been a driving factor in the changing roles of management accountants.
- Answer: True
LO: 1-3
Diff: 1
EOC: S1-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.3-8 Management accountants spend more time planning, analyzing and interpreting accounting data and less time recording routine accounting transactions than they have in the past.
- Answer: True
LO: 1-3
Diff: 1
EOC: S1-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-9 The only skill required of managerial accountants is that they have a solid knowledge of both financial and managerial accounting.
- Answer: False
LO: 1-3
Diff: 1
EOC: S1-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-10 Managerial accountants only need a solid understanding of managerial accounting, and not financial accounting.
- Answer: False
LO: 1-3
Diff: 1
EOC: S1-3
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.3-11 Which of the following certifications is issued by the IMA?
- A. CPA
 - B. CMA
 - C. CIA
 - D. CFP
- Answer: B
LO: 1-3
Diff: 1
EOC: S1-4
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.3-12 A CFO would have all of the following responsibilities EXCEPT:
- A. preparing all corporate tax returns.
 - B. managing corporate financing.
 - C. providing reports to creditors as required.
 - D. investing in new equipment.

Answer: D

LO: 1-3

Diff 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-13 Who typically manages the daily operations of a company?
- A. Stockholders
 - B. The controller
 - C. The company's board of directors
 - D. The CEO

Answer: D

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-14 Who typically provides oversight for large corporations?
- A. Stockholders
 - B. The CEO
 - C. The Board of Directors
 - D. The company president

Answer: C

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-15 The vice-president of operations directly reports to which person(s)?
- A. The CFO
 - B. The COO
 - C. The CEO
 - D. The Board of Directors

Answer: B

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-16 The COO is responsible for managing which of the following aspect(s) of the company?
- A. Internal controls
 - B. The annual audit
 - C. Financial, managerial, and tax accounting
 - D. Research and development, production, and distribution

Answer: D

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-17 Which of the following report to the audit committee of the Board of Directors?
- A. The treasurer and controller
 - B. The CFO and internal audit department
 - C. The internal audit department and the independent CPA firm
 - D. The CFO and the independent CPA firm

Answer: C

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-18 Who is primarily responsible for raising capital and investing funds?
A. The CEO
B. The CFO
C. The COO
D. The Treasurer

Answer: D

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-19 What has been the determining factor in the way that we now view managerial accountants?
A. Stricter audit standards
B. Stricter GAAP standards
C. Technology
D. None of the above

Answer: C

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-20 Managerial accountants perform which of the following tasks?
A. Ensure financial records are correct
B. Help design information systems
C. Provide decision support
D. All of the above

Answer: D

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-21 Managerial accountants may be responsible for:
- A. analyzing data.
 - B. communicating results.
 - C. providing decision support.
 - D. all of the above.

Answer: D

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-22 Which of the following skills are required of managerial accountants?
- A. The ability to work on a team
 - B. Analytical skills
 - C. Oral and written communication skills
 - D. All of the above

Answer: D

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-23 Which would be a subgroup of the Board of Directors?
- A. Audit committee
 - B. Financial committee
 - C. Managerial committee
 - D. Stockholders' committee

Answer: A

LO: 1-3

Diff: 1

EOC: E1-10

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-24 Which person or group is NOT an employee of a corporation?
A. The CFO
B. A member of the audit committee
C. The Treasurer
D. The VP of manufacturing

Answer: B

LO: 1-3

Diff: 2

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-25 Which person is hired directly by the board of directors to run the company?
A. The Treasurer
B. The CEO
C. The CFO
D. The COO

Answer: B

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-26 Managerial accountants often work on teams called:
A. audit teams.
B. cross-functional teams.
C. multi-functional teams.
D. workgroups.

Answer: B

LO: 1-3

Diff: 1

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-27 A company's Board of Directors meets:
A. annually.
B. monthly.
C. periodically, as needs dictate.
D. quarterly.

Answer: C

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-28 Who requires companies listed on the New York Stock Exchange to have an internal audit function?
A. The Board of Directors
B. The NYSE
C. The internal revenue service (IRS)
D. The stockholders

Answer: B

LO: 1-3

Diff: 2

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-29 The person or position who is directly responsible for all financial concerns is the:
A. CEO.
B. CFO.
C. COO.
D. Treasurer.

Answer: B

LO: 1-3

Diff: 1

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-30 The person or position who is directly responsible for the company's operations, such as research and development, production and distribution is the:
- A. CEO.
 - B. CFO.
 - C. COO.
 - D. Treasurer.

Answer: C

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.3-31 Describe the position of the CFO, the treasurer, and the controller within the organization. Describe the main functions of the treasurer and the controller.

Answer:

The treasurer and controller both report to the CFO. The treasurer is responsible for the investing functions of the organization (i.e., obtaining financing, paying down debt, issuing stock, etc.).

The controller is responsible for the financial accounting system and the managerial accounting system of the organization.

LO: 1-3

Diff: 2

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-1 The IMA is the professional association for managerial accountants.

Answer: True

LO: 1-4

Diff: 1

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-2 The CMA designation is issued by the IMA.

Answer: True

LO: 1-4

Diff: 1

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-3 Your company sends you to a conference to update your skills. You decide to skip the afternoon session and go sightseeing. This violates the professional competency and integrity standards.
- Answer: True
LO: 1-4
Diff: 2
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-4 The ethical principles and standards of the IMA always give clear guidance for every ethical situation.
- Answer: False
LO: 1-4
Diff: 2
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-5 The “Ethics Hotline” provides resolution for IMA members who want to discuss ethical dilemmas.
- Answer: False
LO: 1-4
Diff: 1
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-6 Just because a behavior is legal does not always make it ethical.
- Answer: True
LO: 1-4
Diff: 2
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-7 The IMA’s overarching ethical principles include: Honesty, Fairness, Objectivity, and Responsibility.
- Answer: True
LO: 1-4
Diff: 1
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.4-8 When faced with an ethical dilemma, the IMA suggests that the first thing management accountants should do is call the IMA's ethics hotline.
- Answer: False
LO: 1-4
Diff: 1
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-9 To resolve ethical dilemmas, the IMA suggests that management accountants should FIRST:
- A. follow their company's established policies for Reporting unethical behavior.
 - B. discuss the unethical situation with their immediate supervisor.
 - C. consult an attorney.
 - D. call the IMA "Ethics Hotline" .
- Answer: A
LO: 1-4
Diff: 1
EOC: S1-5
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-10 Which of the following is NOT one of the IMA's overarching ethical principles?
- A. Honesty
 - B. Fairness
 - C. Creativity
 - D. Responsibility
- Answer: C
LO: 1-4
Diff: 1
EOC: S1-5
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-11 The standards in the IMA Statement of Ethical Professional Practice include:
- A. Competence, Confidentiality, Integrity, and Objectivity.
 - B. Competence, Confidence, Integrity, and Credibility.
 - C. Competence, Objectivity, Credibility, and Honesty.
 - D. Competence, Confidentiality, Integrity, and Credibility.
- Answer: D
LO: 1-4
Diff: 1
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.4-12 The overarching principles in the IMA Statement of Ethical Professional Practice include all of the following EXCEPT:
- A. fairness.
 - B. integrity.
 - C. objectivity.
 - D. responsibility.

Answer: B

LO: 1-4

Diff: 1

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-13 The standards of the IMA Statement of Ethical Professional Practice include which of the following?
- A. Integrity
 - B. Honesty
 - C. Fairness
 - D. Objectivity

Answer: A

LO: 1-4

Diff: 1

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-14 Preparing financial statements in accordance with GAAP is an example of:
- A. competence.
 - B. integrity.
 - C. objectivity.
 - D. credibility.

Answer: A

LO: 1-4

Diff: 1

EOC: S1-5

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-15 Communicating information fairly and objectively represents what ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: C

LO: 1-4

Diff: 1

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-16 Performing duties in accordance with relevant laws, regulations, and technical standards make up which IMA professional ethics standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: A

LO: 1-4

Diff: 1

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-17 You “pad” your expenses on a company sponsored conference. You are in violation of what ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: D

LO: 1-4

Diff: 1

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-18 A company ships out pre-ordered merchandise the last week of December, instead of in mid-January as originally scheduled, to ensure a profit for the year. This action could be seen as a violation of what ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Integrity
 - D. All of the above

Answer: C

LO: 1-4

Diff: 1

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-19 You tell your sister that the company you work for is going to report higher than expected earnings. What ethical standard is being violated?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: B

LO: 1-4

Diff: 1

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-20 You do not understand how “accrual accounting” works. You have failed which ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: A

LO: 1-4

Diff: 1

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-21 You take printer paper home from work for personal use. You have violated which ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: D

LO: 1-4

Diff: 1

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-22 What is the name of the professional association for managerial accountants?
- A. Association of Management Accountants
 - B. Institute of Management Accountants
 - C. Institute of Professional Accountants
 - D. Professional Accountants Association

Answer: B

LO: 1-4

Diff: 2

EOC: E1-14

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-23 The IMA issues what certification?
- A. CMA
 - B. CPA
 - C. CISA
 - D. CFP

Answer: A

LO: 1-4

Diff: 1

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-24 An example of the IMA's competence standard is to:
- A. abstain from engaging in or supporting any activity that might discredit the profession.
 - B. communicate information fairly and objectively.
 - C. keep information confidential, except when disclosure is legally required.
 - D. provide decision support that is accurate, clear, concise and timely.

Answer: D

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-25 An example of the IMA's credibility standard is to:
- A. abstain from engaging in or supporting any activity that might discredit the profession.
 - B. communicate information fairly and objectively.
 - C. keep information confidential except when disclosure is legally required.
 - D. provide decision support that is accurate, clear, concise and timely.

Answer: B

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-26 An example of the IMA's integrity standard is to:
- A. abstain from engaging in or supporting any activity that might discredit the profession.
 - B. communicate information fairly and objectively.
 - C. keep information confidential except when disclosure is legally required.
 - D. provide decision support that is accurate, clear, concise and timely .

Answer: A

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-27 An example of the IMA's confidentiality standard is to:
- A. abstain from engaging in or supporting any activity that might discredit the profession.
 - B. communicate information fairly and objectively.
 - C. keep information confidential except when disclosure is legally required.
 - D. provide decision support that is accurate, clear, concise and timely.

Answer: C

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-28 Which of the following is NOT one of the IMA's credibility standards?
- A. To communicate information fairly and objectively
 - B. To disclose all relevant information
 - C. To disclose deficiencies in internal control
 - D. All of the above are part of IMA's credibility standard

Answer: D

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-29 Attending class to maintain professional knowledge is an example of which ethical standard?
- A. Competence
 - B. Confidentiality
 - C. Credibility
 - D. Integrity

Answer: A

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-30 Not disclosing confidential information is an example of which ethical standard?
A. Competence
B. Confidentiality
C. Credibility
D. Integrity

Answer: B

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-31 Refusing gifts or favors that would influence actions is an example of which ethical standard?
A. Competence
B. Confidentiality
C. Credibility
D. Integrity

Answer: D

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-32 Taking on a responsibility you know can be better completed by someone else would violate the ethical conduct standard of:
A. competency.
B. confidentiality.
C. credibility.
D. integrity.

Answer: A

LO: 1-4

Diff: 2

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.4-33 Not disclosing relevant information would violate the ethical conduct standard of:
A. competency.
B. confidentiality.
C. credibility.
D. integrity.
- Answer: C
LO: 1-4
Diff: 2
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.4-34 Failure to mitigate conflicts of interest would violate the ethical conduct standard of:
A. competency.
B. confidentiality.
C. credibility.
D. integrity.
- Answer: D
LO: 1-4
Diff: 2
EOC: S1-6
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-1 The Sarbanes-Oxley Act was designed to hold corporations accountable for internal control and financial reporting functions.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-2 The Sarbanes-Oxley Act has significantly impacted the responsibility for financial reporting by publicly traded corporations.
- Answer: True
LO: 1-5
Diff: 2
EOC: S1-7
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.5-3 CPA firms cannot provide consulting services for their current audit clients.
- Answer: True
LO: 1-5
Diff: 2
EOC: S1-7
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-4 Trends in the modern business environment include a shift to a service economy and the rise of the global marketplace.
- Answer: True
LO: 1-5
Diff: 2
EOC: S1-7
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-5 The concept of the lean production philosophy is generally credited to General Motors.
- Answer: False
LO: 1-5
Diff: 1
EOC: S1-7
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-6 The decision to bill customers electronically, which saves the company money, would be a positive benefit when performing cost-benefit analysis.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-7 Lean production cuts the throughput time of a manufacturing concern.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.5-8 ISO 9001:2008 is a certification program for companies that adhere to an international set of quality management standards and guidelines.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-9 According to SOX, at least one member of the audit committee should be a financial expert.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-10 IFRS stands for “important financial reporting standards”.
- Answer: False
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-11 XBRL will be required of both public and private companies.
- Answer: False
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting
- 1.5-12 Managerial accounting has its roots in the industrial age of manufacturing.
- Answer: True
LO: 1-5
Diff: 1
EOC: E1-15
AACSB: Reflective Thinking
AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

1.5-13 Lean production is both a philosophy and a business strategy of manufacturing without waste.

Answer: True

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.5-14 The American Institute of Certified Public Accountants was the first professional membership organization in the United States to earn the ISO 9001 certification.

Answer: True

LO: 1-5

Diff: 1

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.5-15 Sustainability is generally described as the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Answer: True

LO: 1-5

Diff: 1

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

1.5-16 Company initiatives to address sustainability and corporate responsibility not only “do the right thing”, but also can lead to economic profits by increasing demand for the company’s products and services.

Answer: True

LO: 1-5

Diff: 2

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-17 SOX allows CPA firms to provide which of the following services to existing audit clients, but ONLY if pre-approved by the audit committee?
- A. Consulting.
 - B. Tax
 - C. Financial information design
 - D. Bookkeeping

Answer: B

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-18 SOX requires that the company's financial statements be certified by the company's:
- A. CFO.
 - B. CEO.
 - C. CFO and CEO.
 - D. Controller.

Answer: C

LO: 1-5

Diff: 2

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-19 SOX requires publicly traded companies to have _____ assessed annually.
- A. their internal control system
 - B. their financial Reporting procedures
 - C. their internal control system and financial Reporting system
 - D. none of the above

Answer: C

LO: 1-5

Diff: 2

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-20 The SEC has moved to adopt IFRS for which types of companies?
- A. All U.S. companies
 - B. Only foreign companies operating in the US
 - C. All U.S. publicly traded companies
 - D. All U.S. private companies

Answer: C

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking
AICPA Functional Competencies: Reporting

- 1.5-21 IFRS stands for:
- A. International and Foreign Reporting Systems.
 - B. International Financial Reporting Standards.
 - C. Important Foreign Registering Systems.
 - D. International and Foreign Registering Standards.

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-22 XBRL stands for:
- A. eXtensible Business Reporting Language.
 - B. eXisting Business Responsibility Language.
 - C. eXtensive Business Registering Location.
 - D. eXtractable Business Reporting Location.

Answer: A

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-23 All publicly traded companies will be required to use XBRL by the year:
- A. 2010.
 - B. 2011.
 - C. 2015.
 - D. 2017.

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-24 XBRL is essentially a:
- A. new set of accounting standards.
 - B. new set of auditing standards.
 - C. a tagging system which allows computer programs to extract information from financial reports.
 - D. new set of ethical standards.

Answer: C

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-25 Which of the following statements about XBRL is FALSE?
- A. The US is the first country to mandate use of XBRL.
 - B. XBRL will decrease the need for manual financial information searches.
 - C. XBRL is only required for publicly-traded companies.
 - D. XBRL should decrease the time companies spend converting their financial information into various government-prescribed formats.

Answer: A

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-26 The philosophy and a business strategy of manufacturing without waste is referred to as:
- A. lean production.
 - B. thin manufacturing.
 - C. TQM.
 - D. ISO 9001.

Answer: A

LO: 1-5

Diff: 1

OC: E1-17

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-27 Companies attempt to increase their competitive edge by adopting:
- A. green initiatives.
 - B. lean production.
 - C. TQM.
 - D. all of the above.

Answer: D

LO: 1-5

Diff: 2

EOC: E1-17

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-28 Movements toward sustainability and corporate responsibility often:
- A. include green initiatives.
 - B. result in increased demand for the company's product or service.
 - C. include monetary support of local schools and charities.
 - D. do all of the above.

Answer: D

LO: 1-5

Diff: 2

EOC: E1-17

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-29 Why was the Sarbanes-Oxley Act enacted?
- A. To hire better qualified managerial accountants
 - B. To prevent accounting scandals like Enron
 - C. To restore trust in publicly traded companies
 - D. None of the above

Answer: C

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-30 Which is NOT a result of Sarbanes-Oxley?
- A. Audit committees must be independent.
 - B. The COO assumes financial statement responsibility.
 - C. There are new requirements for CPA firms.
 - D. There are stiffer consequences for white-collar crimes.

Answer: B

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-31 Under Sarbanes-Oxley, companies must have their internal audit procedures assessed:
- A. annually.
 - B. monthly.
 - C. quarterly.
 - D. at any time they choose.

Answer: A

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-32 Under Sarbanes-Oxley, what is the maximum number of years of imprisonment for knowingly destroying or creating documents to obstruct any federal investigation?
- A. 5 years
 - B. 10 years
 - C. 15 years
 - D. 20 years

Answer: D

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-33 Which reflects a philosophy of providing customers with superior products and services?
A. ERP
B. XBRL
C. TQM
D. IFRS

Answer: C

LO: 1-5

Diff: 1

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-34 Which of the following describes a system in which suppliers deliver materials at the time they are needed?
A. ERP
B. JIT
C. TQM
D. ISO

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-35 ISO 9001:2008 is a(n):
A. certification that a company complies with international quality standards.
B. software system which integrates all departments.
C. system where production occurs only when needed.
D. effective exchange of information between vendors and customers.

Answer: A

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-36 What is the name given to software systems that can integrate all departments?
A. TQM
B. ERP
C. Total Integrated Software
D. JIT

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-37 E-commerce refers to the:
A. conduct of business on the internet.
B. exchange of information with customers and suppliers.
C. production of superior goods and services.
D. quick delivery of goods and services.

Answer: A

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-38 What is the purpose of supply chain management?
A. To improve the quality of products
B. To reduce costs
C. To speed delivery of goods and services
D. All of the above

Answer: D

LO: 1-5

Diff: 2

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-39 Companies that wish to demonstrate their commitment to international quality standards may become certified by what organization?
- A. SEC
 - B. IFRS
 - C. IMA
 - D. ISO

Answer: D

LO: 1-5

Diff: 2

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-40 Throughput time is cut when which of the following methods is used?
- A. IFRS
 - B. JIT
 - C. ISO
 - D. XBRL

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-41 Managerial accounting is needed by which type of company?
- A. Manufacturers
 - B. Retailers
 - C. Service
 - D. All of the above

Answer: D

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-42 Which services are CPA firms allowed to provide to audit clients?
- A. Bookkeeping
 - B. Consulting
 - C. Information systems design
 - D. Tax preparation

Answer: D

LO: 1-5

Diff: 2

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-43 Exchanging information to reduce costs, speed delivery, and improve quality is the definition of:
- A. ERP.
 - B. JIT.
 - C. Supply-chain management.
 - D. TQM.

Answer: C

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-44 The philosophy that centers on production as needed is known as:
- A. ERP.
 - B. JIT.
 - C. Supply-chain management.
 - D. TQM.

Answer: B

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-45 The philosophy of providing superior goods and services is:
A. ERP.
B. JIT.
C. Supply-chain management.
D. TQM.

Answer: D

LO: 1-5

Diff: 1

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-46 Wonder Company is considering installing an ERP system. To make a good decision, Wonder needs to conduct a(n):
A. JIT survey.
B. TQM survey.
C. ISO 9001:2000 survey.
D. cost-benefit analysis.

Answer: D

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-47 Which of the following would have little effect on a cost-benefit analysis?
A. Constant prices
B. Steadily rising prices
C. Rapidly declining prices
D. None of the above

Answer: A

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-48 Which of the following is NOT used in a cost-benefit analysis?
- A. Future benefits to be received from project
 - B. Amounts for future costs of project
 - C. Book value of past investment in equipment
 - D. Amount needed to invest in project initially

Answer: C

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Reflective Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Reporting

- 1.5-49 Electric Engines Company is considering opening a plant in Brazil. It will cost \$4,000,000 to set up the plant and \$750,000 to train employees. An additional \$80,000 will be spent to build relationships with the local suppliers. The company anticipates gross profit of \$4,800,000 from this new plant. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?
- A. Costs outweigh benefits by \$30,000.
 - B. Benefits outweigh costs by \$30,000.
 - C. Costs outweigh benefits by \$50,000.
 - D. Benefits outweigh costs by \$50,000.

Answer: A

LO: 1-5

Diff: 3

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making

- 1.5-50 New England Furniture Crafters is considering investing in an ERP program. It will have \$910,000 in software costs and \$280,000 in employee training costs. Computer hardware also needs up be upgraded for the ERP program; the hardware upgrades are expected to be \$125,000. The expected benefits from the ERP should be \$1,367,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?
- A. Costs outweigh benefits by \$52,000.
 - B. Benefits outweigh costs by \$52,000.
 - C. Costs outweigh benefits by \$177,000.
 - D. Benefits outweigh costs by \$177,000.

Answer: B

LO: 1-5

Diff: 3

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making

- 1.5-51 Edwards Restaurant Supplies is investigating the possibility of adopting a lean production philosophy throughout their organization. Estimated costs to set up the computer system are \$650,000; training employees in lean production is estimated to cost \$175,000; and the general expenses of establishing the program are estimated at \$35,000. The estimated value of the potential savings is \$975,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?
- A. Costs outweigh benefits by \$150,000.
 - B. Benefits outweigh costs by \$150,000.
 - C. Costs outweigh benefits by \$115,000.
 - D. Benefits outweigh costs by \$115,000.

Answer: D

LO: 1-5

Diff: 3

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making

- 1.5-52 Gilmore Corporation is investigating the possibility of adopting a lean production philosophy in its manufacturing facilities. The plant manager has done a cost-benefit analysis and has found that the costs of the lean production program exceed the benefits by \$115,000. You analyze the situation and make some adjustments to the cost estimates. After doing your analysis, you find that costs still outweigh benefits by less than 5%. Which might be a sound course of action?
- A. Consider dropping the plan.
 - B. Look for ways to lessen costs.
 - C. Re-evaluate the value of benefits.
 - D. All of the above should be considered.

Answer: D

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making

1.5-53

Chesrown Motors is considering whether or not to expand into a new area of the US. They produce high-end motorcycles with moderate gas mileage, but have developed a new technology to increase the mileage of their bikes. They will need to spend \$175,000 to retrofit a building to incorporate the new fuel technology. New worker training will cost \$84,000. Other expenses involved in getting the new plant up and running amount to \$32,000. Cagle anticipates that, with gas price increases, the profit potential of this expansion is \$388,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

Answer:

Sales from expansion	\$ 388,000
Less costs:	
Cost to retrofit a building	\$ (175,000)
New worker training	\$ (84,000)
Other plant expenses	\$ (32,000)
Benefits outweigh costs by	\$ 97,000

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making

1.5-54 Match the appropriate terms with the correct definitions.

Definition	Correct answer				Term
1. Exchange of information with suppliers to reduce costs, improve quality, and speed delivery of goods and services from suppliers to the company itself and on to customers.			a.	SOX	
2. A philosophy and business strategy of manufacturing without waste.			b.	ERP	
3. Software systems that can integrate all of a company's worldwide functions, departments, and data into a single system.			c.	Supply-Chain Management	
4. A data tagging system that enables companies to release financial and business information in a format that can be accessed over the internet.			d.	JIT	
5. An organization which supports and issues quality-related certifications.			e.	IFRS	
6. Set of standards which may be adopted for all publicly traded companies and may differ from GAAP.			f.	Lean production	
7. A congressional act that enhances internal control and financial Reporting requirements and establishes new regulatory requirements for publicly traded companies and their independent auditors.			g.	ISO	
8. A system where production is triggered by orders (demand).			h.	XBRL	

Answer:

Definition	Correct answer	Term
1. Exchange of information with suppliers to reduce costs, improve quality, and speed delivery of goods and services from suppliers to the company itself and on to customers.	c.	Supply-Chain Management
2. A philosophy and business strategy of manufacturing without waste.	f.	Lean production
3. Software systems that can integrate all of a company's worldwide functions, departments, and data into a single system.	b.	ERP
4. A data tagging system that enables companies to release financial and business information in a format that can be accessed over the internet.	h.	XBRL
5. An organization which supports and issues quality-related certifications.	g.	ISO
6. Set of standards which may be adopted for all publicly traded companies and may differ from GAAP.	e.	IFRS
7. A congressional act that enhances internal control and financial Reporting requirements and establishes new regulatory requirements for publicly traded companies and their independent auditors.	a.	SOX
8. A system where production is triggered by orders (demand).	d.	JIT

LO: 1-5

Diff: 2

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business Perspective Competencies: Critical Thinking

AICPA Functional Competencies: Decision Making