


Pool Canvas

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Add [Creation Settings](#)

Name Chapter 1--Fundamental Concepts

Description

Instructions

[Modify](#)

[◀ Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is **true** of Managerial Accounting?

Answer

- Complies with Securities and Exchange Commission rules and regulations.
- Uses cost-benefit analysis to determine the amount of detail presented.
- Prepares general-purpose reports for people outside an organization.
- Presents summary historical data in compliance with generally accepted accounting principles.

Correct Feedback Uses cost-benefit analysis to determine the amount of detail presented.

Incorrect Feedback Uses cost-benefit analysis to determine the amount of detail presented.

[◀ Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The best example of using managerial accounting information to help organizations succeed includes which of the following?

Answer

- implementing strategies.
- processing travel vouchers.
- tracking employee time and attendance.
- reconciling petty cash balances.

Correct Feedback implementing strategies.

Incorrect Feedback implementing strategies.

[◀ Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Managerial accounting information is used by which of the following managers?

Answer

- marketing managers to help price products and assess their profitability.
- production managers to manage quality and costs and to assure on-time delivery.
- general managers to measure employee performance and create incentives.
- All of the answers are correct.

Correct Feedback All of the answers are correct.

Incorrect Feedback All of the answers are correct.

[◀ Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Considering the time dimension, how does managerial decision making compare with external performance evaluation?

Managerial Decision Making External Performance

Answer	Past	Past
	Past	Future
	<input checked="" type="checkbox"/> Future	Past
	Future	Future

Correct Feedback Managerial decision making is focused on the future. External performance relates to what has already taken place within an organization, i.e., the past.

Incorrect Feedback Managerial decision making is focused on the future. External performance relates to what has already taken place within an organization, i.e., the past.

[◀ Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The question "How much information is enough?" for managerial purposes should be answered on

Answer

- a cost/benefit basis.
- a cost, but not benefit, basis.
- a benefit, but not cost, basis.
- neither costs nor benefits, but some other criteria.

Correct Feedback a cost/benefit basis.

Incorrect Feedback a cost/benefit basis.

[◀ Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Accounting data used for managerial reports

Answer

- must be the same data used for reporting to shareholders, but may be different for tax purposes.
- must be the same data used for tax purposes, but may be different data for reporting to shareholders.
- must be the same data used for both tax purposes and reporting to shareholders.
- may be different from data used for both tax purposes and reporting to shareholders.

Correct Feedback may be different from accounting data used for both tax purposes and reporting to shareholders.

Incorrect Feedback may be different from accounting data used for both tax purposes and reporting to shareholders.

[◀ Add Question Here](#)

Question 7

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** Who manages cost and managerial accounting in most organizations?

Answer

- Controller
- Treasurer
- Board of directors
- Chief executive officer

Correct Feedback Controller**Incorrect Feedback** Controller[◀ Add Question Here](#)

Question 8

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** Who manages cash flows and raises cash for operations in most organizations?

Answer

- Controller
- Treasurer
- Board of directors
- Chief executive officer

Correct Feedback Treasurer**Incorrect Feedback** Treasurer[◀ Add Question Here](#)

Question 9

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** Who is the manager in charge of raising cash for operations and managing cash and near-cash assets?

Answer

- Chief financial officer.
- Controller.
- Treasurer.
- Internal auditor.

Correct Feedback Treasurer.**Incorrect Feedback** Treasurer.[◀ Add Question Here](#)

Question 10

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** Which of the following works in planning, decision making, designing information systems, designing incentive systems, and helping managers make operating decisions?

Answer

- Controller
- Treasurer
- Board of directors
- Chief executive officer

Correct Feedback Controller**Incorrect Feedback** Controller[◀ Add Question Here](#)

Question 11

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** Who is the chief accounting officer that oversees providing information to managers?

Answer

- Chief financial officer.
- Controller.
- Treasurer.
- Internal auditor.

Correct Feedback Controller.**Incorrect Feedback** Controller.[◀ Add Question Here](#)

Question 12

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** What organization publishes a journal called *Strategic Finance*, numerous policy statements, and research studies on accounting issues?

Answer

- Institute of Management Accountants
- Cost Accounting Standards Board
- General Accounting Office
- American Institute of Certified Public Accountants

Correct Feedback Institute of Management Accountants**Incorrect Feedback** Institute of Management Accountants[◀ Add Question Here](#)

Question 13

Multiple Choice

0 points

[Modify](#)[Remove](#)**Question** The Sarbanes-Oxley Act of 2002 has increased the interaction between the audit committee of the board of directors and the which of the following?

Answer

- controller.
- treasurer.
- internal auditor.
- production manager.

Correct Feedback internal auditor.**Incorrect Feedback** internal auditor.[◀ Add Question Here](#)

Question 14

Multiple Choice

0 points

[Modify](#)[Remove](#)

Question In 2002, Congress passed the Sarbanes-Oxley Act. Which of the following is **not** a provision of that act?

Answer The law empowered the American Institute of Certified Public Accountants (AICPA) to oversee licensure of auditors.
 The Chief Executive Officer (CEO) must sign the company's financial statements attesting to the inclusion of all material information.
 The Public Company Accounting Oversight Board (PCAOB) was created.
 The CEO and Chief Financial Officer (CFO) must indicate that they are responsible for the company's system of internal control.

Correct Feedback The AICPA was formed many years prior to the passing Sarbanes-Oxley. This is **not** part of the act.

Incorrect Feedback The AICPA was formed many years prior to the passing Sarbanes-Oxley. This is **not** part of the act.

[◀ Add Question Here](#)

Question 15 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question What organization developed the “*Standards of Ethical Conduct for Management Accountants*” mandating that management accountants have a responsibility to maintain the highest levels of ethical conduct?

Answer Institute of Management Accountants
 Cost Accounting Standards Board
 General Accounting Office
 American Institute of Certified Public Accountants

Correct Feedback Institute of Management Accountants

Incorrect Feedback Institute of Management Accountants

[◀ Add Question Here](#)

Question 16 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following accurately describes the managerial accountants' professional environment and ethical responsibilities?

Answer Stockholders have an ethical responsibility to report accurately even when their own compensation suffers.
 Financial analysts have an ethical responsibility to report accurately even when their own compensation suffers.
 Managers have an ethical responsibility to report accurately even when their own compensation suffers.
 Managers do not have an ethical responsibility to report accurately even when their own compensation suffers.

Correct Feedback Managers have an ethical responsibility to report accurately even when their own compensation suffers.

Incorrect Feedback Managers have an ethical responsibility to report accurately even when their own compensation suffers.

[◀ Add Question Here](#)

Question 17 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question How is **cost**, as used in managerial accounting, distinguished from **expense**, as used in financial accounting?

Answer A cost is a sacrifice of resources and expenses are recorded in accounting records, but not all costs appear in accounting records.
 All expenses are costs, but not all costs are expenses in the period of incurrence, even though they will become expenses in some later period.
 Managerial accounting deals primarily with costs, not expenses, while financial accounting primarily deals with expenses for financial reporting as defined by generally accepted accounting principles.
 All of the answers are correct.

Correct Feedback All of the answers are correct.

Incorrect Feedback All of the answers are correct.

[◀ Add Question Here](#)

Question 18 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question In principle, a cost is

Answer a sacrifice of resources.
 something used up to produce revenues in a particular accounting period.
 only comprised of direct material and direct labor.
 something measured in conformity with generally accepted accounting principles.

Correct Feedback a sacrifice of resources.

Incorrect Feedback a sacrifice of resources.

[◀ Add Question Here](#)

Question 19 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question What is an opportunity cost?

Answer The historical cost of goods or services used.
 The foregone income from using an asset in its best alternative.
 A sacrifice of resources.
 A sacrifice of investment opportunities.

Correct Feedback The foregone income from using an asset in its best alternative.

Incorrect Feedback The foregone income from using an asset in its best alternative.

[◀ Add Question Here](#)

Question 20 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question What is an opportunity cost?

Answer The difference in total costs which results from selecting one choice instead of another.
 The profit forgone by selecting one choice instead of another.
 A cost that may be saved by not adopting an alternative.
 A cost that may be shifted to the future with little or no effect on current operations.

Correct Feedback The profit forgone by selecting one choice instead of another.

Incorrect Feedback The profit forgone by selecting one choice instead of another.

[◀ Add Question Here](#)Question 21 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Income forgone from **not** using an asset in its best economic alternative is an example of which of the following type of cost?**Answer**

- outlay cost.
- direct cost.
- indirect cost.
- opportunity cost.

Correct Feedback

opportunity cost.

Incorrect Feedback

opportunity cost.

[◀ Add Question Here](#)Question 22 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Any item for which the manager wishes to measure cost is called a(n)**Answer**

- direct cost.
- indirect cost.
- cost object.
- target cost.

Correct Feedback

cost object.

Incorrect Feedback

cost object.

[◀ Add Question Here](#)Question 23 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** What is the term that describes costs that relate directly to a cost object?**Answer**

- direct cost.
- indirect cost.
- sunk cost.
- target cost.

Correct Feedback

direct cost.

Incorrect Feedback

direct cost.

[◀ Add Question Here](#)Question 24 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Costs that do **not** relate directly to a cost object are its**Answer**

- marginal cost.
- indirect cost.
- sunk cost.
- target cost.

Correct Feedback

indirect cost.

Incorrect Feedback

indirect cost.

[◀ Add Question Here](#)Question 25 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Costs that change in total as the level of activity changes are which of the following?**Answer**

- direct costs.
- indirect costs.
- variable costs.
- fixed costs.

Correct Feedback

variable costs

Incorrect Feedback

variable costs

[◀ Add Question Here](#)Question 26 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Which of the following terms describes a cost that does **not** relate directly to a cost object?**Answer**

- outlay cost.
- direct cost.
- indirect cost.
- opportunity cost.

Correct Feedback

indirect cost.

Incorrect Feedback

indirect cost.

[◀ Add Question Here](#)Question 27 **Multiple Choice****0 points**[Modify](#)[Remove](#)**Question** Which of the following is a cost that does **not** change in total as the level of activity changes?**Answer**

- fixed cost.
- direct cost.
- indirect cost.
- variable cost.

Correct Feedback

fixed cost.

Incorrect Feedback

fixed cost.

[◀ Add Question Here](#)Question 28 **Multiple Choice****0 points**[Modify](#)[Remove](#)

Question Which of the following statements is **true** concerning variable costs?

- Answer**
- Variable costs are likely to respond to the amount of attention devoted to them by a management.
 - Variable costs are associated with marketing, shipping, warehousing, and billing activities.
 - Variable costs do not change in total for a given period but decrease on a per unit basis.
 - ✓ Variable costs change in total with changes in production activity.

Correct Feedback Variable costs change in total with changes in production activity.

Incorrect Feedback Variable costs change in total with changes in production activity.

[◀ Add Question Here](#)

Question 29 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question When the number of units manufactured increases, the most significant change in average unit cost will be reflected as

- Answer**
- an increase in the nonvariable component.
 - a decrease in the variable component.
 - ✓ a decrease in the nonvariable component.
 - an increase in the variable component.

Correct Feedback a decrease in the nonvariable component.

Incorrect Feedback a decrease in the nonvariable component.

[◀ Add Question Here](#)

Question 30 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The nursing station on the fourth floor of Columbia Hospital for Women is responsible for the care of patients who have just given birth. The costs of drugs administered by the nurses to patients would be classified as

- Answer**
- ✓ direct costs.
 - indirect costs.
 - overhead costs.
 - period costs.

Correct Feedback direct costs.

Incorrect Feedback direct costs.

[◀ Add Question Here](#)

Question 31 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The costs of staffing and operating the accounting department at Columbia Hospital for Women would be considered by the Department of Surgery to be which of the following?

- Answer**
- direct costs.
 - ✓ indirect costs.
 - incremental costs.
 - controllable costs.

Correct Feedback indirect costs.

Incorrect Feedback indirect costs.

[◀ Add Question Here](#)

Question 32 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following statements is **true** concerning total variable costs?

- Answer**
- Total variable costs do not vary in total within the relevant range.
 - ✓ Total variable costs vary in total in proportion to the activity level.
 - Total variable costs vary in total in an inverse relationship with production.
 - Total variable costs vary in total, but not in proportion to changes in the activity level.

Correct Feedback Total variable costs vary in total in proportion to the activity level.

Incorrect Feedback Total variable costs vary in total in proportion to the activity level.

[◀ Add Question Here](#)

Question 33 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Fixed costs expressed on a per unit basis

- Answer**
- will react directly with changes in activity.
 - ✓ will react inversely with changes in activity.
 - are not affected by activity.
 - should be ignored in making decisions since they cannot change over the long run.

Correct Feedback will react inversely with changes in activity.

Incorrect Feedback will react inversely with changes in activity.

[◀ Add Question Here](#)

Question 34 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Data for Cost A and Cost B are as follows:

	<u># of Units Produced</u>	<u>Total Cost</u>
Cost A	1	\$ 10
	10	100
	100	1,000

	<u># of Units</u>	<u>Per Unit Cost</u>
Cost B	1	5,000
	10	500
	100	50

Which of the following best describes the behavior of Costs A and B?

Answer

- Cost A is fixed, Cost B is variable.
- ✓ Cost A is variable, Cost B is fixed.
- Both Cost A and Cost B are variable.
- Both Cost A and Cost B are fixed.

Correct Feedback Cost A is variable, Cost B is fixed.

Incorrect Feedback Cost A is variable, Cost B is fixed.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 35 **Multiple Choice** **0 points**

Question A cost that changes in total as the level of activity changes is known as which of the following?

Answer

- fixed cost.
- direct cost.
- indirect cost.
- ✓ variable cost.

Correct Feedback variable cost.

Incorrect Feedback variable cost.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 36 **Multiple Choice** **0 points**

Question External financial statements

Answer

- promote internal management planning and decision making.
- ✓ do not show variable and fixed costs.
- are not in accordance with generally accepted accounting principles.
- show direct and indirect costs.

Correct Feedback do not show variable and fixed costs.

Incorrect Feedback do not show variable and fixed costs.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 37 **Multiple Choice** **0 points**

Question The income statement presentation that helps managers plan and make decisions shows the distinction between

Answer

- sunk and opportunity costs.
- ✓ variable and fixed costs.
- controllable and non-controllable costs.
- discretionary and outlay costs.

Correct Feedback variable and fixed costs.

Incorrect Feedback variable and fixed costs.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 38 **Multiple Choice** **0 points**

Question Which of the following concepts is **least** useful for managing costs more effectively?

Answer

- Activity-based management.
- Value-added and non-value-added activities.
- The value chain.
- ✓ Generally accepted accounting principles.

Correct Feedback Generally accepted accounting principles.

Incorrect Feedback Generally accepted accounting principles.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 39 **Multiple Choice** **0 points**

Question Benefit(s) of the income statements for managerial use include(s)

Answer

- demonstrating which costs are variable and which are fixed.
- breaking down revenues and costs in a number of ways to meet managers' needs.
- breaking down revenues and expenses in a number of ways to meet managers' needs.
- ✓ demonstrating which costs are variable and which are fixed, *and* breaking down revenues and costs in a number of ways to meet managers' needs.

Correct Feedback demonstrating which costs are variable and which are fixed, *and* breaking down revenues and costs in a number of ways to meet managers' needs.

Incorrect Feedback demonstrating which costs are variable and which are fixed, *and* breaking down revenues and costs in a number of ways to meet managers' needs.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 40 **Multiple Choice** **0 points**

Question What appears at the bottom of income statements prepared for managerial use to distinguish it from net income used in external reporting?

Answer

- Other comprehensive income
- ✓ Operating profit
- Gross margin
- Net profit (or loss)

Correct Feedback Operating profit

Incorrect Feedback Operating profit

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 41 **Multiple Choice** **0 points**

Question What is the study of the need for activities and whether they are operating efficiently called?

Answer

- direct and indirect cost management.
- variable and fixed cost management.
- ✓ activity-based management.
- total quality management.

Correct Feedback activity-based management.

Incorrect Feedback activity-based management.

◀ [Add Question Here](#)

Question 42 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following describes an activity that increases the product's service to the customer?

Answer

- direct activity.
- variable activity.
- ✓ value-added activity.
- non-value-added activity.

Correct Feedback value-added activity

Incorrect Feedback value-added activity

◀ [Add Question Here](#)

Question 43 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is an activity that when eliminated reduces cost without reducing the product's service to the customer?

Answer

- direct activity.
- indirect activity.
- value-added activity.
- ✓ non-value-added activity.

Correct Feedback non-value-added activity.

Incorrect Feedback non-value-added activity.

◀ [Add Question Here](#)

Question 44 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The linked set of activities that increases the usefulness (or value) of the products or services of an organization is the

Answer

- direct chain.
- indirect chain.
- ✓ value chain.
- variable chain.

Correct Feedback value chain.

Incorrect Feedback value chain.

◀ [Add Question Here](#)

Question 45 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following reflects the correct order in a value-chain?

Answer

- ✓ Research & Development, Design, Production
Distribution, Customer Service, Marketing
- Design, Research & Development, Production
Distribution, Marketing, Research & Development

Correct Feedback The typical value-chain begins with Research and Development, followed by design, then production.

Incorrect Feedback The typical value-chain begins with Research and Development, followed by design, then production.

◀ [Add Question Here](#)

Question 46 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question In managerial accounting, what is the cost of capital?

Answer

- the amount a firm could earn on its assets by putting them to their best alternative use.
- not included in the financial accounting statements.
- the weighted average of the costs of the firm's sources of funds taking into account both debt and equity sources of capital.
- ✓ All of the answers are correct.

Correct Feedback All of the answers are correct.

Incorrect Feedback All of the answers are correct.

◀ [Add Question Here](#)

Question 47 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question In managerial accounting, what is the term used to describe the amount a firm could earn on its assets by putting them to their best alternative use?

Answer

- ✓ cost of capital.
- sunk cost.
- marginal cost.
- future cost.

Correct Feedback cost of capital.

Incorrect Feedback cost of capital.

◀ [Add Question Here](#)

Question 48 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question In managerial accounting, what can help the manager decide where to direct the organization's resources?

Answer

- Capital resource allocation models
- Quantum resource analysis
- Balanced scorecard
- ✓ Strategic cost analysis

Correct Feedback Strategic cost analysis

Incorrect Feedback Strategic cost analysis

[◀ Add Question Here](#)

Question 49 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which statement is **true** concerning integrated information systems?

Answer

- Integrated information systems measure a company's products, services, and activities against other more efficient and effective divisions or businesses.
- ✓ Integrated information systems tie together various databases and applications.
- Integrated information systems focus on increasing quality as perceived and defined by the customer.
- Integrated information systems emphasize strengthening the weakest link (or constraint) of the company to improve operations.

Correct Feedback Integrated information systems tie together various databases and applications.

Incorrect Feedback Integrated information systems tie together various databases and applications.

[◀ Add Question Here](#)

Question 50 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which statement is **true** concerning integrated information systems?

Answer

- Integrated information systems are not technically feasible.
- Integrated information systems violate generally accepted accounting principles.
- Integrated information systems are not commercially available.
- ✓ Integrated information systems tie together managerial accounting, financial reporting, customer databases, supply chain management and other data bases.

Correct Feedback Integrated information systems tie together managerial accounting, financial reporting, customer databases, supply chain management and other data bases.

Incorrect Feedback Integrated information systems tie together managerial accounting, financial reporting, customer databases, supply chain management and other data bases.

[◀ Add Question Here](#)

Question 51 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Integrated information processing systems that tie together managerial accounting, financial reporting, customer databases, supply chain management and other data bases are

Answer

- not technically feasible.
- required by the Internal Revenue Service regulations.
- not in accordance with generally accepted accounting principles.
- ✓ now commercially available.

Correct Feedback now commercially available.

Incorrect Feedback now commercially available.

[◀ Add Question Here](#)

Question 52 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question What does the term "just-in-time" refer to?

Answer

- factories built just in time to meet production needs.
- machinery placed in service just in time to begin production.
- ✓ materials received from suppliers just in time for production needs.
- All of the answers are correct.

Correct Feedback materials received from suppliers just in time for production needs.

Incorrect Feedback materials received from suppliers just in time for production needs.

[◀ Add Question Here](#)

Question 53 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The benefits of a just-in-time system usually include which of the following?

Answer

- ✓ elimination of non-value-added activities.
- increase in inventory levels, thus guarding against stock-outs.
- increased time spent valuating inventories.
- decrease in the number of deliveries required to maintain production.

Correct Feedback elimination of non-value-added activities.

Incorrect Feedback elimination of non-value-added activities.

[◀ Add Question Here](#)

Question 54 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question What production methodology strives to eliminate inventory and increase efficiency and quality?

Answer

- Total quality management.
- Theory of constraints.
- Benchmarking.
- ✓ Just-in-time.

Correct Feedback Just-in-time.

Incorrect Feedback Just-in-time.

[◀ Add Question Here](#)

Question 55	Multiple Choice	0 points	Modify Remove
	Question	Which of the following best describes the term “benchmarking?”	
	Answer	<ul style="list-style-type: none"> producing a particular product at the lowest possible cost. designing the highest quality product in a given market. developing the best selling product ✓ improvement gained through measuring one’s products against the best products. 	
	Correct Feedback	Benchmarking is the process of continuous improvement through the measurement of one’s products or services against the best products and services.	
	Incorrect Feedback	Benchmarking is the process of continuous improvement through the measurement of one’s products or services against the best products and services.	
			Add Question Here
Question 56	Multiple Choice	0 points	Modify Remove
	Question	The following reduces the need for in-house information technology people as well as for transaction and system managers:	
	Answer	<ul style="list-style-type: none"> Theory of constraints. ✓ Web hosting. Generally accepted accounting principles. Stand-alone accounting systems. 	
	Correct Feedback	Web hosting.	
	Incorrect Feedback	Web hosting.	
			Add Question Here
Question 57	Multiple Choice	0 points	Modify Remove
	Question	The following provides the means for companies to outsource substantial portions of their information systems and enables the company to focus on its core competencies while taking advantage of the host’s server and bandwidth capability.	
	Answer	<ul style="list-style-type: none"> Value chain. ✓ Web hosting. Total Quality Management. Zero-Base Budgeting. 	
	Correct Feedback	Web hosting.	
	Incorrect Feedback	Web hosting.	
			Add Question Here
Question 58	Multiple Choice	0 points	Modify Remove
	Question	What modern production methodology emphasizes strengthening the weakest link of the company to improve operations to become more efficient and effective?	
	Answer	<ul style="list-style-type: none"> Weakest link theory Just-in-time Total quality ✓ Theory of constraints. 	
	Correct Feedback	Theory of constraints.	
	Incorrect Feedback	Theory of constraints.	
			Add Question Here
Question 59	Multiple Choice	0 points	Modify Remove
	Question	What management technique focuses on increasing quality as perceived and defined by the customer?	
	Answer	<ul style="list-style-type: none"> Theory of constraints. Benchmarking. ✓ Total quality management. Web hosting. 	
	Correct Feedback	Total quality management.	
	Incorrect Feedback	Total quality management.	
			Add Question Here
Question 60	Multiple Choice	0 points	Modify Remove
	Question	What is the term that describes the decline in value of assets during the period using either the sales value of assets or their replacement costs as the measure of value?	
	Answer	<ul style="list-style-type: none"> economic inflation. economic deflation. economic appreciation. ✓ economic depreciation. 	
	Correct Feedback	economic depreciation.	
	Incorrect Feedback	economic depreciation.	
			Add Question Here
Question 61	Multiple Choice	0 points	Modify Remove
	Question	What is the definition of economic depreciation according to managerial accounting?	
	Answer	<ul style="list-style-type: none"> the decline in value of assets during the period using the sales value of assets as the measure of value, only. the decline in value of assets during the period using the replacement costs as the measure of value, only. ✓ the decline in value of assets during the period using either the sales value of assets or their replacement costs as the measure of value. the decline in value of assets during the period using amortized acquisition cost as the measure of value. 	
	Correct Feedback	the decline in value of assets during the period using either the sales value of assets or their replacement costs as the measure of value.	
	Incorrect Feedback	the decline in value of assets during the period using either the sales value of assets or their replacement costs as the measure of value.	

[◀ Add Question Here](#)

Question 62 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question What is part of a "lean production" philosophy that has been credited for the success of many Japanese companies and some large U.S. companies?

Answer

- Just-in-time production
- Mini-max inventory systems
- Economic order quantities
- Strategic cost analysis systems

Correct Feedback Just-in-time production

Incorrect Feedback Just-in-time production

[◀ Add Question Here](#)

Question 63 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question What recent management innovation uses such performance measures as product reliability and service delivery, as well as traditional measures of profitability?

Answer

- Just-in-time production
- Total quality management
- Economic order quantities
- Strategic cost analysis systems

Correct Feedback Total quality management

Incorrect Feedback Total quality management

[◀ Add Question Here](#)

Question 64 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question What recent management innovation views a business as a linked sequence of processes that transforms inputs into saleable outputs and is used to improve operations?

Answer

- Just-in-time production
- Total quality management
- Theory of constraints
- Strategic cost analysis systems

Correct Feedback Theory of constraints

Incorrect Feedback Theory of constraints

[◀ Add Question Here](#)

Question 65 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question What recent management innovation is the continuous process of measuring one's own products, services, and activities against the best levels of performance inside one's own organization or in other organizations?

Answer

- Benchmarking
- Total quality management
- Theory of constraints
- Strategic cost analysis

Correct Feedback Benchmarking

Incorrect Feedback Benchmarking

[◀ Add Question Here](#)

Question 66 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Which of the following statements is **false** concerning lean production?

Answer

- Lean production eliminates inventory between producing departments.
- Lean production requires flexibility to change quickly from one product to another.
- Lean production requires increased time valuating inventories.
- Lean production emphasizes employee training and participation in decision making.

Correct Feedback Lean production refers to an inventory minimization system, therefore, answer "c" is false.

Incorrect Feedback Lean production refers to an inventory minimization system, therefore, answer "c" is false.

[◀ Add Question Here](#)

Question 67 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Ethical standards that comprise the Institute of Management Accountant's Code of Ethics do **not** include which of the following?

Answer

- competence.
- collegiality.
- integrity.
- objectivity.

Correct Feedback collegiality.

Incorrect Feedback collegiality.

[◀ Add Question Here](#)

Question 68 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question Which of the following best determines the amount of accounting information that is generated for managerial purposes and effective communication between accountants and users?

Answer

- bandwidth capabilities
- cost-benefit analysis
- web hosting
- just-in-time analysis

[◀ Add Question Here](#)

Question 69 **Multiple Choice** **0 points** [Modify](#) [Remove](#)

Question All of the following are true regarding integrated information systems **except**:

- Answer**
- Accounting and other databases can be integrated with numerous applications such as managing the supply chain, making general ledger entries, and reporting to top management.
 - Integrated information systems imply that accountants no longer control a particular information domain.
 - Accountants are no longer the source of accounting information because managers and staff can directly access accounting information in integrated information systems.
 - ✓ Because accountants are no longer needed in an integrated information system environment, they typically do not serve on cross-functional teams.

[◀ Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following statements are more descriptive of managerial accounting than of financial accounting?

- Answer**
- Emphasis is on historical data.
 - Information is more widely distributed.
 - Recognized standards for presentation.
 - ✓ Information is tailored to the needs of individual decision makers.

[◀ Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following are ways in which IFRS may relate to managerial accounting **except**:

- Answer** ✓ IFRS governs managerial accounting methods.
- Managerial accountants usually do not use LIFO for internal reports, so managerial accounting reports are more likely to agree with IFRS than with U.S. GAAP, if the U.S. GAAP reports use LIFO.
 - If the current IFRS approach of capitalizing R & D costs as assets prevails in the United States, then we are likely to see development costs capitalized for managerial reports.
 - The accounting information that managers use in making decisions and evaluating performance need not comply with IFRS.

[◀ Add Question Here](#)

Question 72 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following correctly describe accounting information used for managerial purposes **except**:

- Answer**
- Most managerial decisions require more detailed data than external financial reports provide.
 - ✓ Managers must use the same accounting data for their decision making, planning, and other managerial activities as they present in tax returns and financial statements.
 - “One size fits all” does not apply to accounting information used for managerial accounting purposes.
 - Many companies develop managerial accounting information systems independent of financial accounting information systems.

[◀ Add Question Here](#)

Question 73 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Examples of value-added activities include all of the following **except**:

- Answer**
- Assembly activities.
 - ✓ Machinery set-up activities.
 - The establishment of efficient distribution channels.
 - Product design.

[◀ Add Question Here](#)

Question 74 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following activities performed by a manufacturer of bicycles best describes one that is **not** a value-added activity?

- Answer**
- Transfer of direct materials to appropriate points on the assembly line.
 - ✓ Reworking of poor quality bicycles.
 - Inspection of direct materials upon receipt from suppliers.
 - Bar code tagging of direct materials to ensure that the right parts are used for production.

[◀ Add Question Here](#)

Question 75 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question The value chain component related to the suppliers and production does **not** include costs for:

- Answer**
- Receipt of direct materials from suppliers.
 - Production set-up.
 - Direct production labor.
 - ✓ Salaries for sales personnel.

[◀ Add Question Here](#)

Question 76 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following are characteristics of the value chain **except**:

- Answer**
- a linked set of activities
 - activities that are monitored by how they contribute to the final product’s service, quality, and cost.
 - activities that increase the usefulness of products or services
 - ✓ includes activities that can be eliminated without reducing the product’s service potential

[◀ Add Question Here](#)

Question 77 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following are Canadian designations that are similar to the CPA designation in the United States?

- I. CA
- II. CMA
- III. CGA
- IV. CASB

Answer

- I & II
- ✓ I & III
- III & IV
- I & IV

◀ [Add Question Here](#)

Question 78 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Lean production strives to do all of the following **except**:

Answer

- flexibility in changing quickly from one product to another
- make the quality and efficiency of production the highest priority
- eliminate inventory between production departments
- ✓ emphasize upper management control of decision making

◀ [Add Question Here](#)

Question 79 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following would be a direct cost for a computer manufacturer?

Answer

- cost of utilities in the factory
- ✓ wages of the workers in the keyboard manufacturing department
- wages of the workers in the repair department
- factory supervision

◀ [Add Question Here](#)

Question 80 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is an example of direct materials cost for an automobile manufacturer?

Answer

- cost of wages of assembly workers
- cost of oil or lubricants for the factory machinery
- ✓ cost of the automobile windshield
- salary of the production supervisor

◀ [Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following are key developments that have helped reshape the discipline of managerial accounting **except**:

Answer

- ✓ the convergence of U.S. GAAP with IFRS
- global strategies
- total quality management
- integrated information systems

◀ [Add Question Here](#)

Question 82 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Managerial accountants would most likely assist organizations in the performance of all of the following functions *except*:

Answer

- Monitoring, evaluating, and rewarding performance.
- ✓ The preparation of income tax returns.
- Planning and decision-making.
- The assignment of decision-making authority over company assets.

◀ [Add Question Here](#)

Question 83 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is the organization that sponsors the major certification of accountants known as the CMA?

Answer

- The Canadian Institute of Chartered Accountants
- The Cost Accounting Standards Board
- ✓ The Institute of Management Accountants
- The American Institute of Certified Public Accountants

◀ [Add Question Here](#)

Question 84 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following are provisions of the Sarbanes-Oxley Act **except**:

Answer

- The law states that the CEO and the CFO are responsible for signing their company's financial statements and indicating that the financial statements do not omit material information.
- The law requires the company's auditor must attest to management's assessment of internal controls.
- The law created the Public Company Accounting Oversight Board (PCAOB), which oversees auditors of public companies.
- ✓ The law requires that lower-level managers submit to lie-detector tests if fraud is suspected.

◀ [Add Question Here](#)

Question 85 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is best defined as a cost that changes in total as the level of activity changes?

Answer

- an opportunity cost
- a fixed cost
- ✓ a variable cost
- a cost object

◀ [Add Question Here](#)

Question 86 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question All of the following statements are true regarding the contrast between income statements for managerial use with those for external reporting **except**:

- Answer** ✓
- Income statements for external reporting show variable and fixed costs.
 - Income statements for external reporting typically aggregate data more than those used for managerial purposes.
 - Income statements for external reporting comply with income tax regulations and financial accounting principles.
 - Operating profit is used at the bottom of income statements prepared for managerial use.

[◀ Add Question Here](#)

Question 87 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question For a furniture manufacturer, which of the following activities could not be eliminated without changing the customer's perception of the product's desirability?

- Answer**
- Set-up of machinery to produce different pieces of furniture.
 - ✓ Reducing the product's distribution network.
 - Inspection of incoming shipments of wood and fabrics.
 - Movement of work-in-process from one work station to another.

[◀ Add Question Here](#)

Question 88 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question In an aircraft factory, the inventory of direct materials would not include:

- Answer** ✓
- Glue for the passenger seats
 - Electronic instruments to be installed in aircraft.
 - Lavatory equipment
 - Sheet aluminum to be used for the exterior of the aircraft.

[◀ Add Question Here](#)

Question 89 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Krista's Bakery produced and sold 2,000 pies last month and had fixed costs of \$6,000. If production and sales are expected to increase by 10% next month, which of the following statements is true?

- Answer**
- Fixed cost per unit will decrease.
 - ✓ Fixed cost per unit will increase.
 - Total fixed costs will decrease.
 - Total fixed costs will increase.

[◀ Add Question Here](#)

Question 90 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is most likely to be considered a variable cost?

- Answer**
- Depreciation on equipment.
 - ✓ The cost of labor used in production.
 - Insurance on the factory.
 - Rent on a storage facility.

[◀ Add Question Here](#)

Question 91 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question Which of the following is most likely to be a fixed cost for a company?

- Answer**
- Sales commissions.
 - ✓ Depreciation on factory equipment
 - The cost of materials used in production.
 - The cost of shipping finished goods.

[◀ Add Question Here](#)

Question 92 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Explain the difference between managerial and financial accounting.

Answer Managerial accounting provides information used by managers inside the organization. To that end, it does not comply with generally accepted accounting principles. Managerial accounting uses cost-benefit analysis to determine the amount of detail presented. Historical data and future estimates are used for planning, decision-making, and performance evaluation. Financial accounting prepares general-purpose reports for individuals and businesses outside an organization and presents summary historical data in compliance with generally accepted accounting principles.

[◀ Add Question Here](#)

Question 93 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Compare financial and managerial accounting. Discuss the environment in which each is relevant.

Answer Financial accounting is focused on external users, while management accounting is focused on internal users. Financial accounting is primarily concerned with aggregated reporting for the whole organization, while management accounting more often reports on individual parts or segments of a company. Financial accounting information is historical, quantitative, monetary and accurate; management accounting information may be forecasted, quantitative or qualitative, monetary or nonmonetary, timely, and at least a reasonable estimate of reality. Financial accounting information must be reported using consistent generally accepted accounting principles and using information that is verifiable through some form of documentation. On the other hand, management accounting information reflects situation relevancy and usefulness to those persons requesting or needing it, should produce benefits in excess of the costs necessary to obtain it, and should be flexible in meeting managerial needs. Record keeping for financial accounting is a formal process while management accounting record keeping is both formal and informal. Lastly, financial accounting is commonly required by external organizations, such as the Securities and Exchange Commission or the company's stock exchange; management accounting information is generally not required by any party.

[◀ Add Question Here](#)

Question 94 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss how managers can use accounting information to implement strategies.

Answer Managers use accounting information to help project the consequences of various courses of action in the decision-making and planning process. The chapter discusses several managerial accounting tools useful when implementing company-wide strategies. For example, a manager may focus on the mix of fixed and variable costs in an organization to plan for future increases in production. Understanding of costs and how they behave in an organization will have a tremendous impact on the strategies implemented.

[◀ Add Question Here](#)

Question 95 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss the three principal uses of managerial accounting information and how they would be used in a manufacturing organization to enhance managerial decision making.

Answer The three principal uses of accounting information are 1) managerial decision making, 2) planning, and 3) internal performance evaluation. In making a decision, managers form expectations about performance if everything goes according to plan. The results of the internal performance evaluation in one period become inputs into the planning and decision-making process of the next period.

[◀ Add Question Here](#)

Question 96 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Identify the key financial players in the organization.

Answer The top financial person is the financial vice-president (or chief financial officer), who is in charge of the entire accounting and finance function. The controller, the chief accounting officer, oversees providing information to managers. The corporate treasurer is the manager in charge of raising cash for operations and managing cash and near-cash assets. The internal audit department provides a variety of auditing and consulting services.

[◀ Add Question Here](#)

Question 97 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Compare and contrast the functions of the controller, internal auditor, and treasurer. Can one person effectively perform all of these functions in a small business?

Answer The response should include a description of each function. The controller is the chief accounting officer responsible for maintaining the accounting system and for external reporting. The internal auditor evaluates internal controls and assists external auditors with the financial statement audit. The treasurer is responsible for cash management including bank financing. In most small businesses, one person does fulfill all of these functions; however, the internal audit function should be separate to be effective.

[◀ Add Question Here](#)

Question 98 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss the managerial accountants' professional environment and ethical responsibilities.

Answer Companies hold managers accountable for achieving financial performance targets. Because many firms base compensation on these targets, all managers have an ethical responsibility to report accurately even when their own compensation suffers.

[◀ Add Question Here](#)

Question 99 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Discuss the concepts of cost, expense, and opportunity cost.

Answer A cost is a sacrifice of resources. An expense is the historical cost of goods or services used. An opportunity cost is the sacrifice of forgoing the return from the best alternative use of an asset.

[◀ Add Question Here](#)

Question 100 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Describe what is meant by just-in-time inventory management and explain how it can benefit an organization.

Answer Just-in-time (JIT) inventory management is part of a "lean production" philosophy that has been credited for the success of many Japanese companies and some large U.S. companies. It eliminates inventory between production departments, making the quality and efficiency of production the highest priority. JIT has also affected cost-accounting systems. Firms using JIT will have minimum inventory levels.

[◀ Add Question Here](#)

Question 101 **Essay** **0 points**

[Modify](#) [Remove](#)

Question How can managerial accounting support modern production environments?

Answer Integrated information systems tie together various databases and applications. Web hosting enables companies to outsource their information technology requirements and take advantage of the host's bandwidth and servers. Just-in-time production strives to eliminate inventory and increase efficiency and quality. Total quality management focuses on increasing quality as perceived and defined by the customer. The theory of constraints emphasizes strengthening the weakest link (or constraint) of the company to improve operations. Benchmarking measures a company's products, services, and activities against other more efficient and effective divisions or businesses.

[◀ Add Question Here](#)

Question 102 **Essay** **0 points**

[Modify](#) [Remove](#)

Question List the six business functions in the value chain and describe how they contribute to the final product's service, quality, and cost.

- Answer**
1. Research and development: the creation and development of ideas related to new products, services, or processes.
 2. Design: the detailed development and engineering of products, services, or processes.
 3. Production: the collection and assembly of resources to produce a product or deliver a service.
 4. Marketing: the process that informs potential customers about the attributes of products or services, and leads to the purchase of those products or services.
 5. Distribution: the process established to deliver products or services to customers.
 6. Customer service: product or service support activities provided to customers.

[◀ Add Question Here](#)

Question 103 **Essay** **0 points**

[Modify](#) [Remove](#)

Question Benezra Enterprises, Inc.

Benezra Enterprises, Inc. has a plant capacity that can produce 4,000 units annually. Its predicted operations for the year are:

Sales (2,000 units at \$50 each)	\$100,000
Manufacturing costs:	
Variable	\$15 per unit
Fixed	\$20,000
Marketing and administrative costs:	
Variable	\$10 per unit
Fixed	\$10,000

Refer to the information for Benezra Enterprises. What is the current operating profit?

Answer	Sales	\$100,000
	Less variable costs:	
	Manufacturing:	30,000
	Marketing & administrative	<u>20,000</u>
	Total variable costs	<u>50,000</u>
	Contribution margin	\$ 50,000
	Less fixed costs:	
	Manufacturing	20,000
	Marketing & administrative	<u>10,000</u>
	Total fixed costs	<u>30,000</u>
	Operating profit	<u>\$ 20,000</u>

[◀ Add Question Here](#)

Question 104 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question ABC Company has the following cost relations:

Sales price per unit	\$ 45
Variable costs per unit	\$ 20
Fixed costs per period	\$4,000

Calculate the operating profits if the company sells 150 units. If ABC wants to increase operating profits what are the options? Give reasons and constraints for each option.

Answer Sales	\$6,750
Variable costs per unit	<u>3,000</u>
Contribution margin	<u>3,750</u>
Fixed costs	<u>4,000</u>
Operating loss	<u>(\$ 250)</u>

They can increase the sales price or lower the variable costs per unit or a combination of the two. The increase in sales price could cause customer ill will and decrease demand for the product. The decrease in variable cost may not be possible without decreasing quality, which may cause the same decrease in volume. There will be a wide range of student responses to this part of the question.

[◀ Add Question Here](#)

Question 105 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question Compare and contrast income statements prepared for managerial use and those prepared for external reporting.

Answer Income statements prepared for internal, managerial use show the distinction between variable and fixed costs. This presentation helps internal, management planning and decision making. Income statements for external reporting do not show variable and fixed costs, and the firms prepares these statements for external users, such as stockholders and creditors, in accordance with generally accepted accounting principles.

[◀ Add Question Here](#)

Question 106 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question How can web hosting help a small start-up company?

Answer Many small companies outsource substantial portions of their information systems by using Web hosting. Web hosting enables the company to focus on its core competencies while taking advantage of the host's server and bandwidth capabilities. For example, a bank might provide a Web site to handle payment processing for small businesses. Web hosting thus reduces the need for in-house information technology people as well as for transaction and system managers.

[◀ Add Question Here](#)

Question 107 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question Discuss the importance of effective communication between accountants and users of managerial accounting information?

Answer A cost-benefit analysis determines the amount of accounting information generated for managerial purposes. Such analysis requires effective communication and cooperation between users and accountants.

[◀ Add Question Here](#)

Question 108 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question What are the ethical standards that make up the Institute of Management Accountants' Code of Ethics?

Answer Management accountants should maintain competence, confidentiality, integrity, and objectivity.

[◀ Add Question Here](#)

Question 109 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question Malone, an auto mechanic, left his \$35,000-a-year job at Jim's Garage, which provided additional health care insurance benefits of \$5,000 a year, and he became an opera singer. Malone now draws an annual salary of \$25,000 and pays for his own health care insurance of \$3,500 a year with the Orlando Opera Company. Identify his opportunity costs.

Answer Opportunity Costs = \$35,000 + \$5,000 health care insurance benefits.

[◀ Add Question Here](#)

Question 110 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question An accounting employee notices that another employee in the Purchasing Department has been accepting gift cards from a company supplier, which is against company policy. According to the Institute of Management Accountants' code of conduct, what steps should the accounting employee take to stop the practice?

Answer Whether real or perceived, the purchasing employee has shown a conflict of interest and lack of independence from the supplier by taking gifts from a company with whom the employee conducts business. It is very important for buyers to maintain an objective relationship with their suppliers so purchases are "arms-length" transactions.

If the accounting employee is sure about these allegations, then the steps that he/she should take would be to speak with his or her superior in an attempt to stop the violation unless it is believed that his/her superior is involved in the kickback situation in some way. The employee should move up the management ladder until a satisfactory resolution is reached. If the immediate superior involved is the chief executive officer or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. The Institute of Management Accountants has an 800 number that the employee can call to seek additional advice.

[◀ Add Question Here](#)

- Question 111** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** What is your favorite restaurant? What are some of the value-added costs that you believe the restaurant incurs and why?
- Answer** Answers will vary, but can include offering a variety of entree specials as well as regular diverse menu choices, providing low-cost options, providing special treatment for special occasions, having low turnover of staff, providing good service even during rush hours, has tablecloths and cloth napkins, has clean restrooms, etc.
- [Add Question Here](#)
- Question 112** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** Identify a non-value-added activity for customers of each of the following: a grocery store, a bank, and an airline.
- How might each organization be able to eliminate the non-value-added activity identified?
- Answer** Answers may vary but can include:
- Grocery store—items on sale that are sold out - Offer rain checks, provide substitutions, or order more sale items to anticipate demand for high choice items
- Bank—improper recording of customer transactions - Eliminate through training
- Airline—long waiting line to check in - Eliminate through automated self-scanning procedures.
- [Add Question Here](#)
- Question 113** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** Jose plans to see his friend in San Francisco on New Year's Day weekend. The plane ticket will cost him \$550. Unfortunately, Jose's supervisor at work has asked if he would work overtime for 20 hours during the weekend at overtime pay of \$40 per hour. What will be the opportunity cost if Jose decides to visit his friend?
- Answer** $20 \times \$40 = \800
- [Add Question Here](#)
- Question 114** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** Ronald's Refrigeration Repair located in Tampa, Florida provides service to restaurant customers. He has always had the policy of letting his employees have 6 holidays off each year (New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving, and Christmas). However, he has also discovered that these are the days when restaurants seem to be the busiest and have refrigeration breakdowns. As a result he is considering paying an emergency skeletal crew time and a half overtime rather than giving them the days off.
- Ronald estimates that if he does this, he can generate \$5,000 revenue for each of these 6 days. The incremental cost for 2 repair personnel will be \$60 per hour for 8 hours per day plus daily costs of: \$500 for parts, \$300 for transportation costs, and \$200 for dispatcher staff. These costs do not include a share of monthly rent or depreciation related to equipment.
- Although Ronald would like to maintain his current holidays off policy, he would like to know the opportunity cost of this. Present Ronald with an estimate of the opportunity cost and explain why you do not have to consider rent or depreciation in the estimate.
- Answer**
- | | | |
|-------------------------|----------|-------|
| Revenue per day | \$ 5,000 | |
| Less incremental costs: | | |
| Labor (8 x \$60 x 2) | \$960 | |
| Parts | 500 | |
| Transportation | 300 | |
| Dispatcher staff | 200 | 1,960 |
| Net | \$ 3,040 | |
- Opportunity cost = \$3,040 per day 6 days = \$18,240
- Rent and depreciation do not enter into the calculation of the opportunity cost since these costs are not incremental and will be incurred whether or not Ronald takes off holidays or not.
- [Add Question Here](#)
- Question 115** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** If an action is legal for a company to pursue, is it necessary ethical? Discuss this in terms of the ethical issues presented in the text.
- Answer** Answers may vary. However, just because an action is legal, it does not necessarily follow that it is ethical. Ethical actions involve "what's right" while legal actions involve operating within boundaries of the law or accounting standards. As we saw in several cases in the past, including Enron, companies sifting through accounting standards to look for loopholes and rationalized their legality by pushing these to the limits and beyond.
- [Add Question Here](#)
- Question 116** **Essay** **0 points** [Modify](#) [Remove](#)
- Question** Barker Agricultural Industries studied the production and sale of 8,000 cases of roma tomatoes that sold retail for \$25 per case. Barker owns the tomato farm and a salsa manufacturing facility. Last year, Barker harvested tomatoes to produce 8,000 cases of salsa using these tomatoes. The company produced the 8,000 cases and sold them to a large chain of restaurants in the region for \$75 per case, who in turn sold them to their individual restaurants. These restaurants then sold them to customers in their condiment gift shops. Using the following information below, compute the profitability of each segment of the value chain—farm, salsa manufacturing, restaurant chain, and individual restaurant.
- Farm**
- Farm Assets (beginning of year) \$210,000
Farm Assets (end of year) \$190,000
10 percent weighted-average cost-of-capital
Depreciable asset life 5 years (Use to compute economic depreciation or decline in the economic value of the farm assets)
Operating costs excluding depreciation \$160,000
- Salsa Operations**
- Market value of assets (Beginning of Year) \$1,550,000
Market value of assets (End of Year) \$1,450,000
10 percent weighted-average cost-of-capital
Operating costs excluding depreciation \$142,000
Additional cost of spices, peppers and onions \$6.00 per case
- Restaurant Chain**
- Revenues per case of salsa: \$115
Operating costs per case of salsa, including economic depreciation: \$20
Cost-of-capital per case of salsa: \$5
- Individual Restaurant (on average)**
- Revenues per case of salsa: \$145
Operating costs per case of salsa, including economic depreciation: \$15

Cost-of-capital per case of salsa: \$5

Required: Prepare a value chain analysis using this information and explain how Barker's management could use this data. Include options that they might generate from this analysis.

Answer	Farm	Total	Per Case
	Revenues, if tomatoes were sold in the market (\$210,000 + \$190,000) / 2	\$200,000	\$ 25.00
	Less:		
	Operating costs, excluding depreciation	160,000	20.00
	Economic depreciation, computed as the decline in economic value of the farm assets. \$200,000 / 5	40,000	5.00
	Cost-of-capital (\$200,000 x 10%)	20,000	2.50
	Economic loss from the farm	\$ (20,000)	\$ (2.50)
	Salsa Operations		
	Revenue from sale of salsa to chain	\$600,000	\$75.00
	Less:		
	Cost of tomatoes (see sales from Farm)	200,000	25.00
	Cost of additional ingredients (\$6 x 8,000)	48,000	6.00
	Operating costs, excluding depreciation	142,000	17.75
	Depreciation, computed as the change in economic value of the salsa operation assets	100,000	12.50
	Cost-of-capital, using a 10 percent rate (10 percent \$1,500,000)	150,000	18.75
	Economic loss from the salsa operations	\$ (40,000)	\$ (5.00)
	Restaurant Chain		
	Revenues		\$115
	Less cost of goods sold (see sales from Salsa Operations)		75
	Gross margin		\$ 40
	Less operating costs, including economic depreciation		20
	Less cost-of-capital		5
	Economic profit to the chain		\$ 15
	Individual Restaurant (on average)		
	Revenues		\$145
	Less cost of goods sold (see sales from Chain)		115
	Gross margin		\$ 30
	Less operating costs, including economic depreciation		15
	Less cost-of-capital		5
	Economic profit to the individual restaurant		\$ 10

Based on the analysis, when management computes the profitability of each segment of the value chain, thought should be given to the development of a strategic plan that would give the Farm and Salsa operations more of the profits from the chain and the retail of salsa. The strategic cost analysis can help managers decide where to direct the organization's resources.

Student answers regarding options may vary but here are a couple of possibilities. Maybe the farm and salsa owners should consider selling the farm and salsa operations to a new investor, if they do not think it is possible to raise prices and/or lower costs. If the salsa is such a good product and would support a price increase along with decreased operating costs through sales using the Internet as well as other operating efficiencies, this may be a more effective direct sales route to consumers.

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OK