Student name:\_\_\_\_\_\_\_\_\_\_

**1)** Given the following information, what is the total cost of unused capacity? Cost of material supplied is $3,900; Cost of material used is $3,500; Cost of material used per cake is $3.5; Cost of material supplied per cake is $3.90.

 A) $.40.
 B) $400.
 C) $4,000.
 D) $2,000.
 E) There is no unused capacity.

**2)** Given the following information, what is the cost of unused capacity? Cost of material supplied is $9,350; Cost of material used is $9,000; Cost of material used per shelf is $9.0; Cost of material supplied per shelf is $9.35.

 A) $350.
 B) $3,500.
 C) $.35.
 D) $10,000.
 E) There is no unused capacity.

**3)** Which of the following statements about managerial accountants is **false**?

 A) Managerial accountants more and more are considered "business partners."
 B) Managerial accountants often are part of cross-functional teams.
 C) An increasing number of organizations are segregating managerial accountants in separate managerial-accounting departments.
 D) In a number of companies, managerial accountants make significant business decisions and resolve operating problems.
 E) The role of managerial accountants has changed considerably over the past decade.

**4)** Which of the following is **not** an action performed in combination with information to pursue the goals of managerial accounting?

 A) Identify.
 B) Measure.
 C) Invent.
 D) Interpret.
 E) Analyze.

**5)** Which of the following is correct regarding the changing role of managerial accounting?

 A) The managerial accountant is crunching more numbers than ever before in leading-edge companies.
 B) The managerial accountant has been transformed into a financial historian in progressive companies.
 C) Managerial accountants are typically isolated in separate departments.
 D) Forward-looking goals have transformed managerial accountants into business advisors.
 E) Managerial accountants rarely have the title of analyst or take on leadership roles.

**6)** Which of the following statements best characterizes managerial accountants of the past?

 A) They carried the job title of ‘analysts’.
 B) They were isolated into separate departments.
 C) They were located in operating departments and worked with other managers.
 D) They often took on leadership roles.
 E) They worked in teams.

**7)** Transformation of the role of the managerial accountant within leading-edge companies has been

 A) from analyst to number cruncher.
 B) from number cruncher to trusted advisor.
 C) from team leader to support department employee.
 D) from business partner to financial historian.
 E) from value creator to number cruncher.

**8)** The day-to-day work of management teams will typically comprise all of the following activities **except**:

 A) decision making.
 B) planning.
 C) cost minimizing .
 D) directing operational activities.
 E) controlling.

**9)** Which of the following functions is best described as choosing among available alternatives?

 A) Decision making.
 B) Planning.
 C) Directing operational activities.
 D) Controlling.
 E) Budgeting.

**10)** Which of the following managerial functions involves a detailed financial and operational description of anticipated operations?

 A) Decision making.
 B) Planning.
 C) Directing operational activities.
 D) Controlling.
 E) Measuring.

**11)** Which of the following involves the coordination of daily business functions within an organization?

 A) Decision making.
 B) Planning.
 C) Directing operational activities.
 D) Controlling.
 E) Motivating.

**12)** Wembley Company has set various goals, and management is now taking appropriate action to ensure that the firm achieves these goals. One such action is to reduce outlays for overhead, which have exceeded budgeted amounts. Which of the following functions best describes this process?

 A) Decision making.
 B) Planning.
 C) Coordinating.
 D) Controlling.
 E) Organizing.

**13)** In pursuing its goals, an organization does all of the following **except**:

 A) Acquire resources.
 B) Hire personnel.
 C) Engage in an organized set of activities.
 D) Focus on reducing the budget.
 E) Engage in management team activities to make the best use of resources and people.

**14)** Which of the following business models considers financial, customer, internal operating, and other measures in the evaluation of performance?

 A) Deterministic simulation.
 B) Balanced scorecard.
 C) Payoff matrix.
 D) Decision tree.
 E) Chart of operating performance (COP).

**15)** Which of the following perspectives is normally absent in a balanced scorecard?

 A) Financial.
 B) Customer.
 C) Internal operations.
 D) Learning and innovation/growth.
 E) None of these choices are correct.

**16)** Managerial accounting activity comprises a set of tools, systems and perspectives that add value to an organization by supporting five major objectives. Which one of these is **not** a supporting objective?

 A) Provide information for decision making and planning.
 B) Assist managers in directing and controlling operational activities.
 C) Motivate managers and other employees toward the organization’s goals.
 D) Assess an organization’s competitive position and long-term managerial efforts .
 E) Focus on activities that occur at the top level of the organization.

**17)** Because managerial accounting reports rarely solve decision problems, what function does a managerial accountant use to assist managers in understanding issues contained within the information produced?

 A) Internal business solution function.
 B) Learning and growth function.
 C) Theoretical capacity function.
 D) Customer function.
 E) Attention directing function.

**18)** Which of the following is **not** an objective of managerial accounting?

 A) Providing information for decision making and planning.
 B) Assisting in directing and controlling operations.
 C) Maximizing profits and minimizing costs.
 D) Measuring the performance of managers and subunits.
 E) Motivating managers toward the organization's goals.

**19)** The role of managerial accounting information in assisting management is a(n):

 A) financial-directing role.
 B) attention-directing role.
 C) planning and controlling role.
 D) organizational role.
 E) problem-solving role.

**20)** Employee empowerment involves encouraging and authorizing workers to take initiatives to:

 A) improve operations.
 B) reduce costs.
 C) improve product quality.
 D) improve customer service.
 E) all of the answers are correct.

**21)** The process of encouraging and authorizing workers to take appropriate initiatives to improve the overall firm is commonly known as:

 A) planning and control.
 B) employee empowerment.
 C) personnel aggressiveness.
 D) decision making.
 E) problem recognition and solution.

**22)** Managerial accounting:

 A) focuses only on historical data.
 B) is governed by GAAP.
 C) focuses primarily on the needs of personnel within the organization.
 D) provides information for parties external to the organization.
 E) focuses on financial statements and other financial reports.

**23)** Managerial accounting:

 A) is unregulated.
 B) produces information that is useful only for manufacturing organizations.
 C) is based exclusively on historical data.
 D) is regulated by the Securities and Exchange Commission (SEC).
 E) generally focuses on reporting information about the enterprise in its entirety rather than by subunits.

**24)** All of the following entities would have a need for managerial accounting information **except**:

 A) the state of Michigan.
 B) an Internet provider.
 C) a retail clothing outlet.
 D) a bookkeeping service.
 E) None of these responses is correct, as all of these entities would use managerial accounting information.

**25)** Which of the following choices correctly depicts whether Ocean Co., State University, and Enrique Inc. would have a need for managerial accounting?

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Ocean Co.** | **State University** | **Enrique Inc.** |
| A. | Yes | Yes | No |
| B. | Yes | No | Yes |
| C. | Yes | Yes | Yes |
| D. | No | Yes | No |
| E. | No | Yes | Yes |

 A) Choice A.
 B) Choice B.
 C) Choice C.
 D) Choice D.
 E) Choice E.

**26)** Which of the following would likely be considered an internal user of accounting information rather than an external user?

 A) Stockholders.
 B) Consumer groups.
 C) Lenders.
 D) Middle-level managers.
 E) Government agencies.

**27)** Financial accounting focuses primarily on reporting:

 A) to parties outside of an organization.
 B) to parties within an organization.
 C) to an organization's board of directors.
 D) to financial institutions.
 E) for financial institutions.

**28)** Which of the following characteristic(s) relate(s) more to managerial accounting than to financial accounting?

 A) A focus on reporting to personnel within an organization.
 B) A focus on reporting to external parties.
 C) An area of accounting that is heavily regulated.
 D) A focus on providing information that is relevant for planning, decision making, directing, and control.
 E) A focus on reporting to personnel within an organization and a focus on providing information that is relevant for planning, decision making, directing, and control.

**29)** Which of the following statements represents a similarity between financial and managerial accounting?

 A) Both are useful in providing information for external users.
 B) Both are governed by GAAP.
 C) Both draw upon data from an organization's accounting system.
 D) Both rely heavily on published financial statements.
 E) Both are solely concerned with historical transactions.

**30)** Which of the following employees at Clear Flights would **not** be considered as holding a line position?

 A) Pilot.
 B) Chief financial officer (CFO).
 C) Flight attendant.
 D) Ticket agent.
 E) Baggage handler.

**31)** Which of the following employees would be considered as holding a line position?

 A) Townhouse Corporation's vice-president for government relations.
 B) The controller of Margin Motors.
 C) A secretary employed by Signal Communications.
 D) The manager of food and beverage services at a theme park.
 E) None of the answers is correct.

**32)** Which of the following employees at Fresh Brew Co. would likely be considered as holding a staff position?

 A) The company's chief operating officer (COO).
 B) The manager of a store located in Kansas City, Missouri.
 C) The company's manager of the Midwest division.
 D) The company's president of products nationwide.
 E) The company's lead, in-house attorney and the company's chief financial officer (CFO).

**33)** The chief managerial and financial accountant of an organization is the:

 A) chief executive officer (CEO).
 B) treasurer.
 C) vice-president of accounting.
 D) internal auditor.
 E) chief financial officer (CFO).

**34)** A company’s leading executive is:

 A) chief financial officer (CFO).
 B) treasurer.
 C) vice-president of accounting.
 D) internal auditor.
 E) chief executive officer (CEO).

**35)** Managers directly involved in the provision of goods and services are \_\_\_\_\_\_\_\_\_\_\_\_.

 A) staff positions.
 B) line positions.
 C) general counsel positions.
 D) human resource positions.
 E) None of these is correct.

**36)** Managerial accountants:

 A) often work with regulators like the SEC.
 B) are responsible for issuing a company’s annual financial statements.
 C) are found primarily at lower levels of the organizational hierarchy.
 D) are found primarily at higher levels of the organizational hierarchy.
 E) often work on cross-functional teams and are located throughout an organization.

**37)** All of the following are common reasons for forming cross-functional teams **except**:

 A) to make decisions.
 B) to engage in planning exercises.
 C) to address operational problems from many perspectives.
 D) to pull together individuals from a variety of specialties.
 E) to minimize physical location requirements that a company occupies.

**38)** In a number of companies, managerial accountants are most likely found in cross-functional teams with personnel having a background in:

 A) commercial art.
 B) real estate.
 C) marketing.
 D) finance.
 E) communications.

**39)** Which of the following typically does **not** relate to the role of a controller?

 A) A controller supervises the accounting department.
 B) A controller safeguards an organization's assets.
 C) A controller oversees the preparation of reports required by governmental authorities.
 D) A controller normally assumes a narrow role within the organization, often preventing the individual's rise to top management ranks.
 E) A controller safeguards an organization's assets and a controller normally assumes a narrow role within the organization, often preventing the individual's rise to top management ranks.

**40)** A controller is normally involved with:

 A) preparing financial statements.
 B) managing investments.
 C) raising capital.
 D) safeguarding assets.
 E) managing the firm's credit policy.

**41)** Which of the following is **not** a function of the treasurer?

 A) Safeguarding assets.
 B) Managing investments.
 C) Preparing financial statements.
 D) Being responsible for an entity's credit policy.
 E) Raising capital.

**42)** In order for a company to achieve a sustainable competitive advantage, it must:

 A) perform one or more activities in the value chain at the same quality level as its competitors.
 B) perform all activities in the value chain at the same quality level as its competitors.
 C) perform its value chain activities at a higher quality level than one of its competitors.
 D) perform at lower quality and higher cost than competitors.

**43)** Which of the following would **not** be part of a value chain for a fast food restaurant?

 A) Buying produce.
 B) Mopping the floor.
 C) Refilling the napkin dispensers.
 D) Hiring new cooks.
 E) All of the choices are a part of the value chain.

**44)** A restaurant’s value chain includes:

 A) supplier development.
 B) upstream contributors.
 C) downstream contributors.
 D) management of inventory.
 E) All of these are included in the value chain.

**45)** Which of the following choices correctly depicts activities that would be included in a manufacturer's value chain?

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Research and Development** | **Marketing** | **Distribution** |
| A. | Yes | Yes | No |
| B. | Yes | No | Yes |
| C. | Yes | Yes | Yes |
| D. | No | Yes | No |
| E. | No | Yes | Yes |

 A) Choice A.
 B) Choice B.
 C) Choice C.
 D) Choice D.
 E) Choice E.

**46)** Strategic cost management is:
 1.I. the process of determining cost drivers.
 2.II. the recognition of the importance of cost relationships among the activities in the value chain.
 3.III. the process of managing cost relationships to the firm’s advantage.
 4.IV. cost-causing factors.

 A) I.
 B) II.
 C) III.
 D) IV.
 E) II. and III.

**47)** Which of the preceding activities would likely **not** be considered part of Forte Clothing Company's value chain?

 A) Designing a new product line.
 B) Locating and then negotiating terms with a clothing manufacturer.
 C) Marketing an existing product line.
 D) Distributing goods from regional warehouses to local stores.
 E) All of these activities would be an element in the company's value chain.

**48)** In order for a company to achieve a sustainable competitive advantage, it must perform value chain activities:
 1.I. at the same quality level as competitors, at the same cost.
 2.II. at the same quality level as competitors, but at a lower cost.
 3.III. at a higher quality level than competitors, at a higher cost.
 4.IV. at a higher quality level than competitors, but at no greater cost.

 A) I .
 B) II.
 C) III.
 D) IV.
 E) II and IV.

**49)** The process of managing the various activities in the value chain, along with the associated costs, is commonly known as:

 A) activity-based costing.
 B) strategic cost management.
 C) total quality management.
 D) computer-integrated costing.
 E) sound management practices (SMP).

**50)** The value chain of a manufacturer would tend to include activities related to:

 A) manufacturing.
 B) research and development.
 C) product design.
 D) marketing.
 E) all of the answers are correct.

**51)** Cost management systems tend to focus on an organization's:

 A) machines.
 B) employees.
 C) activities.
 D) customers.
 E) rules and regulations.

**52)** The upper limit on the production of goods and services if everything works perfectly is known as:

 A) practical capacity.
 B) theoretical capacity.
 C) utilized capacity.
 D) management capacity.
 E) capacity maximization.

**53)** The capacity concept that allows for normal occurrences such as machine downtime and employee fatigue is known as:

 A) practical capacity.
 B) theoretical capacity.
 C) utilized capacity.
 D) management capacity.
 E) capacity maximization.

**54)** The cost of resources supplied but unused is known as:

 A) practical capacity costs.
 B) the cost of theoretical capacity.
 C) the cost of unused capacity.
 D) the cost of resources supplied.
 E) capacity cost.

**55)** Given the following information, what is the total cost of unused capacity? Cost of material supplied is $3,200; Cost of material used is $3,000; Cost of material used per cake is $3; Cost of material supplied per cake is $3.20.

 A) $0.20.
 B) $200.
 C) $2,000.
 D) $1,000.
 E) There is no unused capacity.

**56)** Given the following information, what is the cost of unused capacity? Cost of material supplied is $8,600; Cost of material used is $8,000; Cost of material used per shelf is $8; Cost of material supplied per shelf is $8.60.

 A) $600.
 B) $6,000.
 C) $0.60.
 D) $1,000.
 E) There is no unused capacity.

**57)** What is the most important factor that has allowed companies to move from recording data to analyze it in order to gain significant insight into the entire value chain of an organization?

 A) relaxed data privacy laws.
 B) the increase in cell phones.
 C) powerful, low-cost technology.
 D) cross-functional teams.
 E) low-cost nuclear power.

**58)** The vast amount of data generated by an organization along with supplemental data that can provide context for the internal data is known together as:

 A) big data.
 B) data governance.
 C) data analytics.
 D) data science.
 E) data estimation.

**59)** Data science draws on what to transform large volumes of data into information?

 A) techniques from mathematics, probability, statistics, and computer science.
 B) techniques from military science and management principles.
 C) techniques from architecture and materials science.
 D) techniques from mergers and acquisitions.
 E) techniques from tax regulations and the law.

**60)** Data science is often practiced by specialists, who use powerful software tools such as:

 A) Tableau and RStudio.
 B) Nintendo and Chrome.
 C) Unix and Basic.
 D) QuickBooks and Microsoft Word.
 E) Microsoft Power Point and Quicken.

**61)** Data analytics are particularly important to the managerial accountant in what two areas?

 A) budgeting and planning.
 B) cost behavior and cost estimation.
 C) variance analysis and planning.
 D) balanced scorecard perspectives and planning.
 E) direct cost and direct labor.

**62)** The primary design of the CPA designation is to:

 A) focus on practices in accounting and finance within the company.
 B) to ensure competence of managerial accountants throughout Europe.
 C) to ensure higher wages for accountants within companies.
 D) to increase membership by academics and senior financial executives.
 E) assure the competence of those working outside companies and the reliability of public company reports.

**63)** The largest professional association for management accountants in the U.S. is:

 A) The American Institute of Certified Public Accountants.
 B) The Institute of Management Accountants (IMA).
 C) The Chartered Institute of Management Accountants.
 D) The Financial Executives International (FEI).
 E) The Association for Chartered Global Management Accountants.

**64)** Criticisms leveled at the audit firm, Arthur Andersen, in its original conviction after the 2001 Enron scandal led Congress to pass:

 A) The 2002 Ethical Conflicts Act.
 B) The Sarbanes-Oxley Act of 2002.
 C) The Institute of Management Accountants’ Trust and Confidence Act.
 D) The Restitution and Penalties Act.
 E) The Institute of Management Accountants’ Statement of Ethical Professional Practice.

**65)** Which of the following can be linked to a wave of corporate scandals that took place in recent past?

 A) Greedy corporate executives.
 B) Managers who made over-reaching business deals.
 C) Lack of oversight by companies' audit boards and boards of directors.
 D) Shoddy work by external auditors.
 E) All of these choices are correct.

**66)** Which of the following acts strives to improve corporate governance and the quality of corporate accounting/reporting?

 A) Robinson-Patman.
 B) Taft-Hartley.
 C) Sarbanes-Oxley.
 D) Bush-Cheney.
 E) Arthur-Andersen.

**67)** When ethical lapses such as the 2015 incident with Volkswagen happen, what is lost?

 A) trust of society.
 B) confidence of shareholders, employees, suppliers, and customers.
 C) market valuation.
 D) reputation of the ethically challenged company.
 E) All of these choices are correct.

**68)** Which of the following is **not** an ethical standard of managerial accounting?

 A) Competence.
 B) Confidentiality.
 C) Efficiency.
 D) Integrity.
 E) Credibility.

**69)** Which of the following is **not** an element of competency?

 A) To develop appropriate knowledge about a particular subject.
 B) To perform duties in accordance with relevant laws.
 C) To perform duties in accordance with relevant technical standards.
 D) To refrain from engaging in an activity that would discredit the accounting profession.
 E) To prepare clear reports after an analysis of relevant and reliable information.

**70)** Assume that a managerial accountant regularly communicates with business associates to avoid conflicts of interest and advises relevant parties of potential conflicts. In so doing, the accountant will have applied the ethical standard of:

 A) objectivity.
 B) confidentiality.
 C) integrity.
 D) credibility.
 E) unified behavior.

**71)** Two things that all organizations have in common are a set of goals and information needed by managers.

 ⊚ true
 ⊚ false

**72)** The role of managerial accounting in organizations is the same as it has been over many years.

 ⊚ true
 ⊚ false

**73)** Controlling involves the coordination of daily business functions within an organization.

 ⊚ true
 ⊚ false

**74)** Decision making requires managers to choose among the available alternatives.

 ⊚ true
 ⊚ false

**75)** The balanced scorecard is an important managerial accounting tool for short-run competitiveness.

 ⊚ true
 ⊚ false

**76)** In most situations, managerial accounting reports solve decision problems.

 ⊚ true
 ⊚ false

**77)** Middle-level managers would likely be considered internal users of accounting information rather than external users.

 ⊚ true
 ⊚ false

**78)** Measuring the performance of managers and subunits is **not** an objective of managerial accounting.

 ⊚ true
 ⊚ false

**79)** The nature of managerial accounting reports is to focus on the enterprise in its entirety.

 ⊚ true
 ⊚ false

**80)** Line positions are indirectly involved in operational activities.

 ⊚ true
 ⊚ false

**81)** The position of chief financial officer (CFO) is typically a staff position.

 ⊚ true
 ⊚ false

**82)** A controller is normally involved with preparing financial statements.

 ⊚ true
 ⊚ false

**83)** The treasurer typically is responsible for raising capital and safeguarding the organization’s assets.

 ⊚ true
 ⊚ false

**84)** The value chain is a managerial accounting tool that primarily assists in the valuation of assets.

 ⊚ true
 ⊚ false

**85)** All companies define the value chain in the same way.

 ⊚ true
 ⊚ false

**86)** The upper limit on the production of goods and services if everything works perfectly is known as practical capacity.

 ⊚ true
 ⊚ false

**87)** Non-value-added costs are the costs of activities that can be eliminated with no deterioration of product quality, performance, or perceived value.

 ⊚ true
 ⊚ false

**88)** If a company has poor data governance practices, managers would have to worry that the managerial accounting data they receive is not what they need for their decisions, or that it would arrive too late or be inaccurate.

 ⊚ true
 ⊚ false

**89)** The process of making sense of big data is known as data practice.

 ⊚ true
 ⊚ false

**90)** The largest managerial accounting professional association in the U.S. is the Chartered Institute of Management Accountants.

 ⊚ true
 ⊚ false

**91)** The CMA is a professional certification that managerial accountants can earn to validate their skills and the specialized knowledge that they possess.

 ⊚ true
 ⊚ false

**92)** All financial professionals, including managerial accountants, have an obligation to themselves, their colleagues, and their organizations to adhere to high standards of ethical conduct.

 ⊚ true
 ⊚ false

**93)** Legitimate ethical issues rarely impact the managerial accountant.

 ⊚ true
 ⊚ false

**94)** A. What is managerial accounting?
 B. Explain why managerial accountants are such important strategic partners in an organization’s management team.

**95)** Give examples of each of the four primary management activities in the context of a national pizza franchise.

**96)** State Hospital was once the premier health facility in the Yesville community. Unfortunately, budget cuts and the loss of strategic personnel due to non-competitive salaries have taken a toll on the hospital. The hospital decided to align current strategic goals using the Balanced Scorecard approach. These goals are:

 Financial: Balance revenue and Cost to break-even, leading to profit.

 Customer: Create new value for customer.
 Internal process: Ensure service quality and expand service networks.
 Learning and growth: Work toward more employees becoming leaders.

 Based on these goals, the hospital developed Objectives for the new balanced scorecard as follows:

 ***Financial Perspectives:*** Enhance operational excellence and cost management.
 ***Customer Perspectives:*** Investigate customer needs.
 ***Internal Process Perspectives:*** Enhance the combined professional service quality.
 ***Learning and Growth Perspectives:*** (1) Enhance employee satisfaction; and (2) Slow down the expansion of operating activity.

 **Required:**
 Given these objectives, list at least (5) measurements for each perspective.

**97)** Magnum Overnight operates an overnight package delivery service that competes with Federal Express and United Parcel Service (UPS). Top management is considering the use of a balanced scorecard to evaluate operations.

 **Required:**
 A. What is a balanced scorecard and other than customer-satisfaction measures, what are its typical key components?
 B. List four customer-satisfaction measures that Magnum might use to evaluate performance.

**98)** Nikki and Bart have been tasked by top management with discussing some of the financial measures to include in their company’s balanced scorecard. Both are aware that measures that can be quantified will allow for performance measures that are more effectively captured, leading toward actionable corrective accomplishments. Nikki suggests that they include decreased financing charges as a result of lowering of the federal interest rate by 1% (a rate at which their company borrows money). Is this a good financial goal to include in the balanced scorecard? Explain.

**99)** Nikki and Bart have been tasked by top management with assembling measures to include in their company’s balanced scorecard. The two compiled more than 100 metrics during a brainstorming session. As they now begin to discuss the list and eliminate some, their question is: What is the ideal number of goals for each of the four balanced scorecard perspectives? Discuss.

**100)** Consider the descriptors that follow.

 1. Is heavily involved with the recordkeeping and reporting of assets, liabilities, and stockholders' equity.
 2. Focuses on planning, decision making, directing, and control.
 3. Is heavily regulated.
 4. A field that is becoming more "cross-functional" in nature.
 5. Much of the field is based on costs and benefits.
 6. Is involved almost exclusively with past transactions and events.
 7. Much of the information provided is directed toward stockholders, financial analysts, creditors, and other external parties.
 8. Tends to focus more on subunits within an entity rather than the organization as a whole.
 9. May become involved with measures of customer satisfaction, and the amount of actual cost incurred vs. budgeted targets.

 **Required:**
 Determine whether the descriptors are most closely associated with financial accounting or managerial accounting.

**101)** Briefly distinguish between managerial accounting and financial accounting. Be sure to comment on the general focus, users, and regulation related to the two fields.

**102)** The following are activities for State Hospital.

 **Required:**
 Classify each as a value-added (V) or nonvalue-added (N) and give an explanation why you answered the way you did.

|  |  |  |
| --- | --- | --- |
| **Activity**  | **Classification (V or N)**  | **Explanation**  |
| Patients waiting in the lobby  |   |   |
| Providing in-patient x-rays  |   |   |
| Retaking x-rays to get a different view  |   |   |
| Outpatient dialysis  |   |   |

**103)** The value chain is a key component of contemporary management accounting.

 **Required:**
 Define the term "value chain" and explain how it would relate to an airline.

**104) Required:**
 Present several examples of managerial accounting information that could help a manager make each of the following decisions:

 A. A manufacturing company is currently making a part that is a production headache. The firm is deciding whether to abandon production and buy the part from an outside supplier.
 B. An operator of fast-food restaurants is deciding whether to open a new store in Dallas.

**105)** 1. Auditions for actors and actresses
 2. Development of promotional materials for use by local newspapers
 3. Focus groups to evaluate ideas for potential television comedy series
 4. Production of DVDs for release to big box stores and online video outlets
 5. On-location shooting of scenes
 6. Fine-tuning and rewrites of scripts
 7. Set design and construction for a new medical drama

 **Required:**
 A. Evaluate the seven activities as upstream (pre-production), production, or downstream (post-production) in nature.
 B. Generally speaking, which activities (upstream, production, or downstream), if any, can management ignore if the company is to be successful in achieving its key strategic goals?

**106)** Unused or excess capacity is a key component of contemporary management accounting.

 **Required:**
 Define the term "excess capacity" and explain how it would relate to a coffee shop.

**107)** Tae Franklin is the sales manager of Darius Enterprises, a very profitable distributor of office furniture to local businesses. A recent economic downturn has created an extremely tight cash position, and the company has been hurt by the bankruptcy of two key customers.
 In late October, anticipating an economic recovery, Franklin began an extensive remodeling of the company's sales floor. Construction costs, decorating, and equipment purchases are projected to cost $250,000.
 Darius has a policy that individual expenditures in excess of $200,000 must be approved by the firm's board of directors. Franklin, unfortunately, missed the deadline to have the board consider this project at its regular September meeting. Not wanting to wait until the next meeting in December, he subdivided the project in two parts—construction and decorating ($190,000) and equipment purchases ($60,000)—neither of which needed board approval because of the dollar amounts involved.
 The project was recently completed and sales have begun to recover. Customers have raved about the new sales area, noting that it is far superior to those of Darius's competitors.

 **Required:**
 A. Would Franklin's approach of subdividing the project in two parts have any effect on the company's financial statements? Briefly explain.
 B. Briefly discuss whether Franklin behaved in an ethical manner.
 C. Which, if any, of the following standards of conduct would have applicability to Franklin's conduct: competence, confidentiality, integrity, or credibility? Briefly explain.

**108)** Many professions have adopted a series of ethical standards to provide guidance for their memberships. The Institute of Management Accountants (IMA), for example, has published standards that focus on competence, confidentiality, integrity, and credibility. In light of these standards, consider the three cases that follow.
 *Case A*—Leston Corporation has experienced serious financial difficulties in recent years. John Young, the company's chief financial officer, has just learned that a major competitor was likely to file for bankruptcy; however, he failed to disclose this information at a board meeting held later that day when a plant closure decision was being discussed. The board evaluated several proposals during the session that focused on improving Leston's financial position.
 *Case B*—QBX Company manufactures fertilizer from various raw materials, including a raw material know as Felstar. Paul Kelly, the firm's purchasing manager, purposely acquired a lower grade of Felstar than normal because of a very attractive price. The lower-grade product resulted in increased usage during the manufacturing process but had no effect on the fertilizer's overall quality. An end-of-period report showed that QBX profited from Kelly's actions, with the overall savings in purchase price more than offsetting the cost of added consumption.
 *Case C*—Central Distributing has a participative budgeting process, allowing employees to have a say in projected sales targets for the upcoming period. These targets are reflected in a series of performance reports that compare actual sales achieved against targeted amounts. Hillary Baxter submitted very low sales targets because, as she confided in a colleague, "I always want to look good in terms of meeting targets, even if anticipated sales and closures don't materialize."

 **Required:**
 Evaluate the three cases and determine the ethical issues, if any, which are involved. Cite the IMA's standards if appropriate.

**Answer Key**Test name: chapter 1

1) B

2) A

3) C

4) C

5) D

6) B

7) B

8) C

9) A

10) B

11) C

12) D

13) D

14) B

15) E

16) E

17) E

18) C

19) B

20) E

21) B

22) C

23) A

24) E

25) C

26) D

27) A

28) E

29) C

30) B

31) D

32) E

33) E

34) E

35) B

36) E

37) E

38) D

39) E

40) A

41) C

42) A

43) E

44) E

45) C

46) E

47) E

48) E

49) B

50) E

51) C

52) B

53) A

54) C

55) B

56) A

57) C

58) A

59) A

60) A

61) B

62) E

63) B

64) B

65) E

66) C

67) E

68) C

69) D

70) C

71) TRUE

72) FALSE

73) FALSE

74) TRUE

75) FALSE

76) FALSE

77) TRUE

78) FALSE

79) FALSE

80) FALSE

81) TRUE

82) TRUE

83) TRUE

84) FALSE

85) FALSE

86) FALSE

87) TRUE

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89) FALSE

90) FALSE

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92) TRUE

93) FALSE