Chapter 01 Managerial Accounting and the Business Environment

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| 1. | Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations?

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| --- | --- |
| A.  | Strategy formulation. |

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| --- | --- |
| B.  | Directing and motivating. |

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| --- | --- |
| C.  | Planning. |

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| --- | --- |
| D.  | Controlling. |

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| 2. | Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations?

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| --- | --- |
| A.  | Controlling. |

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| --- | --- |
| B.  | Directing. |

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| --- | --- |
| C.  | Planning. |

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| --- | --- |
| D.  | Motivating. |

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| 3. | Budgeting is part of which of the following activities managers perform in organizations?

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| --- | --- |
| A.  | Controlling. |

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| --- | --- |
| B.  | Directing. |

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| --- | --- |
| C.  | Planning. |

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| --- | --- |
| D.  | Motivating. |

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| 4. | Obtaining feedback is generally identified most directly with which of these functions of management?

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| --- | --- |
| A.  | Planning |

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| --- | --- |
| B.  | Directing and motivating |

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| --- | --- |
| C.  | Controlling |

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| --- | --- |
| D.  | Decision making |

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| 5. | Which of the following best describes the role of a staff position in an organization?

|  |  |
| --- | --- |
| A.  | It relates directly to the carrying out of the basic objectives of the organization. |

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| --- | --- |
| B.  | It is supportive in nature, providing service and assistance to other parts of the organization. |

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| --- | --- |
| C.  | It is superior in authority to a line position. |

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| D.  | Both A and C. |

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| 6. | Which of the following positions does the controller occupy in an organization?

|  |  |
| --- | --- |
| A.  | A line position. |

|  |  |
| --- | --- |
| B.  | A staff position. |

|  |  |
| --- | --- |
| C.  | Neither a line nor a staff position, since the accounting department must be independent. |

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| --- | --- |
| D.  | Both a line and a staff position. |

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| 7. | Which of the following best describes the function of managerial accounting within an organization?

|  |  |
| --- | --- |
| A.  | It has its primary emphasis on the future. |

|  |  |
| --- | --- |
| B.  | It is required by regulatory bodies such as the Ontario Securities Commission. |

|  |  |
| --- | --- |
| C.  | It focuses on the organization as a whole, rather than on the organization's segments. |

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| --- | --- |
| D.  | It places more emphasis on precision of data than financial accounting does. |

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| 8. | Upon which of the following does managerial accounting place considerable weight?

|  |  |
| --- | --- |
| A.  | Generally accepted accounting principles. |

|  |  |
| --- | --- |
| B.  | The financial history of the entity. |

|  |  |
| --- | --- |
| C.  | Ensuring that all transactions are properly recorded. |

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| --- | --- |
| D.  | Detailed segment reports about departments, products, and customers. |

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| 9. | For internal uses, managers are more concerned with receiving information that achieves which of the following standards?

|  |  |
| --- | --- |
| A.  | Completely objective and verifiable. |

|  |  |
| --- | --- |
| B.  | Completely accurate and precise. |

|  |  |
| --- | --- |
| C.  | Relevant, flexible, and timely. |

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| --- | --- |
| D.  | Relevant, completely accurate, and precise. |

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| 10. | What would be an example of a performance report?

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| A.  | An income statement reporting actual results for the past month. |

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| --- | --- |
| B.  | An income statement showing the amounts budgeted for the past month. |

|  |  |
| --- | --- |
| C.  | A balance sheet showing the actual financial position at the end of the past month. |

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| D.  | A production report showing budgeted and actual production for the past month. |

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| 11. | Which of the following is **NOT** one of the three major customer value propositions discussed in the text?

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| A.  | customer intimacy |

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| --- | --- |
| B.  | discount pricing |

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| --- | --- |
| C.  | operational excellence |

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| --- | --- |
| D.  | product leadership |

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| 12. | Which of the following is **NOT** one of the five steps in the lean thinking model discussed in the text?

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| A.  | Continuously pursue perfection in the business process. |

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| --- | --- |
| B.  | Identify value in specific products/services. |

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| --- | --- |
| C.  | Implement an enterprise system. |

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| D.  | Create a pull system that responds to customer orders. |

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| 13. | One consequence of a change from a push to a properly implemented pull production system can be which of the following?

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| A.  | an increase in work in process inventories. |

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| B.  | an extremely difficult cultural change due to enforced idleness when demand falls below production capacity. |

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| C.  | an increased mismatch between what is produced and what is demanded by customers. |

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| D.  | an increase in raw materials inventories. |

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| 14. | Which one of the following is NOT a characteristic of a pull production system?

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| A.  | Inventories are reduced to a minimum by purchasing raw materials and producing units only as needed to meet consumer demand. |

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| --- | --- |
| B.  | Raw materials are released to production far in advance of being needed to ensure no interruptions in work flows due to shortages of raw materials. |

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| --- | --- |
| C.  | Products are completed just in time to be shipped to customers. |

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| D.  | Manufactured parts are completed just in time to be assembled into products. |

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| 15. | Which of the following is NOT one of the five steps in the framework used to guide Six Sigma improvement efforts?

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| --- | --- |
| A.  | Analyze. |

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| --- | --- |
| B.  | Control. |

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| --- | --- |
| C.  | Digitize. |

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| --- | --- |
| D.  | Measure. |

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| 16. | All three major professional accounting groups in Canada require their members to undertake professional development and/or continuing education. This practice is intended to directly satisfy which of these rules of ethical conduct?

|  |  |
| --- | --- |
| A.  | Integrity. |

|  |  |
| --- | --- |
| B.  | Objectivity. |

|  |  |
| --- | --- |
| C.  | Competence. |

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| --- | --- |
| D.  | Confidentiality. |

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| 17. | Samantha Galloway is a managerial accountant in the accounting department of Mustang Industries, Inc. Samantha has just discovered evidence that some of the corporation's marketing managers have been wrongfully inflating their expense reports in order to obtain higher reimbursements from the firm. According to the Institute of Management Accountants' Standards of Ethical Conduct, what should Samantha do upon discovering this evidence?

|  |  |
| --- | --- |
| A.  | Notify the controller. |

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| --- | --- |
| B.  | Notify the marketing managers involved. |

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| C.  | Notify the president of the corporation. |

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| D.  | Ignore the evidence because she is not part of the Marketing Department. |

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| 18. | Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting:

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| A.  | Emphasizes financial consequences of past activities. |

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| --- | --- |
| B.  | Emphasizes precision. |

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| C.  | Emphasizes relevance. |

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| D.  | Must follow GAAP. |

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| 19. | After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system as a component of the lean thinking model. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labour hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch?

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| A.  | 370 |

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| --- | --- |
| B.  | 400 |

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| --- | --- |
| C.  | 430 |

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| D.  | 470 |

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| 20. | Which of the following facets of the lean thinking model is often called just-in-time production?

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| A.  | Identify value in specific products/services |

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| --- | --- |
| B.  | Identify the business process that delivers value |

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| C.  | Create a pull system that responds to customer orders |

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| D.  | Organize work arrangements around the flow of the business process |

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| 21. | Which of the following groups should be the focal point of a company's strategy?

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| --- | --- |
| A.  | Employees |

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| --- | --- |
| B.  | Board of directors |

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| --- | --- |
| C.  | Shareholders |

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| --- | --- |
| D.  | Target customers |

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| 22. | A business plan is usually formalized by means of which of the following management activities?

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| A.  | Strategic planning |

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| --- | --- |
| B.  | Directing |

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| --- | --- |
| C.  | Motivating |

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| --- | --- |
| D.  | Controlling |

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| 23. | Which of the following types of information contained in a business plan is LEAST likely to be found in the accounting records of a typical company?

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| --- | --- |
| A.  | Financial |

|  |  |
| --- | --- |
| B.  | Competitors |

|  |  |
| --- | --- |
| C.  | Internal |

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| D.  | Non-financial |

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| 24. | Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate governance?

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| --- | --- |
| A.  | Customers |

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| B.  | Creditors |

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| --- | --- |
| C.  | Shareholders |

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| --- | --- |
| D.  | Suppliers |

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| 25. | An important part of planning is to identify alternatives and then to select from among the alternatives the one that best meets the organization's objectives.  True    False |

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| 26. | The controller occupies a staff position in an organization.  True    False |

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| 27. | Persons occupying staff positions provide support and assistance to other parts of the organization.  True    False |

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| 28. | Informal relationships and channels of communication often develop that do not appear on the organization chart.  True    False |

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| 29. | Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does.  True    False |

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| 30. | Managerial accounting is **not** governed by generally accepted accounting principles (GAAP).  True    False |

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| 31. | In general, accounting data serve both financial accounting and managerial accounting purposes.  True    False |

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| 32. | Top management make most of the decisions in decentralized organizations.  True    False |

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| 33. | Codes of professional ethics regarding competence, confidentiality, integrity, and objectivity are more important for CAs and CGAs than CMAs.  True    False |

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| 34. | Business codes of ethics prescribe minimum acceptable behaviours for all employees **except** employees belonging to one of the three major professional accounting groups in Canada.  True    False |

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| 35. | Monetary data are given equal weight by both managerial accounting and financial accounting.  True    False |

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| 36. | A strategy is a game plan that enables a company to attract customers by distinguishing itself from competitors.  True    False |

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| 37. | A strategy requires effective use of Six Sigma improvement techniques.  True    False |

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| 38. | A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products.  True    False |

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| 39. | Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership.  True    False |

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| 40. | Companies that adopt a customer intimacy strategy are in essence saying to their target customers, "The reason you should choose us is because we understand and respond to your individual needs better than our competitors."  True    False |

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| --- | --- |
| 41. | Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us rather than our competitors because we strive for zero defects."  True    False |

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| 42. | Corporate governance is the legal framework that allows managers to control and direct lower-level workers on the job.  True    False |

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| 43. | A value chain consists of the major business functions that add value to the company's products and services.  True    False |

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| 44. | The answers to many of the questions raised by prospective providers of funds can be found in the business plan.  True    False |

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| 45. | The lean thinking model is a five step management approach that organizes resources such as people and machines around the flow of business processes and that pulls units through these processes in response to customer orders.  True    False |

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| 46. | Supply chain management involves acquiring and bringing inside the company all of the processes that bring value to customers.  True    False |

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| 47. | You have recently been hired by a manufacturing company. Two days ago, you met with the top management of the company to discuss future strategies for the firm. During the meeting, the president of the company expressed concern about the profitability of the company and the company's ability to compete effectively in the future. You responded to the president's concerns by mentioning some articles you had read in professional accounting journals regarding the lean thinking model. The president responded to your comments by saying that although the lean thinking model sounded interesting, no one in the company was knowledgeable about it. The president then requested that you prepare a brief summary of the lean thinking model for the next strategic planning meeting.Required:a. Define the lean thinking model.b. List the five major steps in the lean thinking model.c. List some of the benefits of the lean thinking model.      |

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| 48. | How much it costs a company to manufacture a particular product is one of the many questions that reports typically provided by managerial accountants help to answer.Required:Comment on the usefulness of a unit product cost information in the preparation of a set of financial statements?      |

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| 49. | The accounting process involves recording, estimating, organizing and summarizing of financial and operational data.Required:Describe briefly the nature of operational data and give examples for a hotel organization.      |

Chapter 01 Managerial Accounting and the Business Environment Key

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations?

|  |  |
| --- | --- |
| A.  | Strategy formulation. |

|  |  |
| --- | --- |
| **B.**  | Directing and motivating. |

|  |  |
| --- | --- |
| C.  | Planning. |

|  |  |
| --- | --- |
| D.  | Controlling. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #1Learning Objective: 1* |

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| 2. | Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations?

|  |  |
| --- | --- |
| A.  | Controlling. |

|  |  |
| --- | --- |
| B.  | Directing. |

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| --- | --- |
| **C.**  | Planning. |

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| D.  | Motivating. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #2Learning Objective: 1* |

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| 3. | Budgeting is part of which of the following activities managers perform in organizations?

|  |  |
| --- | --- |
| A.  | Controlling. |

|  |  |
| --- | --- |
| B.  | Directing. |

|  |  |
| --- | --- |
| **C.**  | Planning. |

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| --- | --- |
| D.  | Motivating. |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #3Learning Objective: 1* |

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| 4. | Obtaining feedback is generally identified most directly with which of these functions of management?

|  |  |
| --- | --- |
| A.  | Planning |

|  |  |
| --- | --- |
| B.  | Directing and motivating |

|  |  |
| --- | --- |
| **C.**  | Controlling |

|  |  |
| --- | --- |
| D.  | Decision making |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #4Learning Objective: 1* |

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| 5. | Which of the following best describes the role of a staff position in an organization?

|  |  |
| --- | --- |
| A.  | It relates directly to the carrying out of the basic objectives of the organization. |

|  |  |
| --- | --- |
| **B.**  | It is supportive in nature, providing service and assistance to other parts of the organization. |

|  |  |
| --- | --- |
| C.  | It is superior in authority to a line position. |

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| --- | --- |
| D.  | Both A and C. |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #5Learning Objective: 3* |

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| 6. | Which of the following positions does the controller occupy in an organization?

|  |  |
| --- | --- |
| A.  | A line position. |

|  |  |
| --- | --- |
| **B.**  | A staff position. |

|  |  |
| --- | --- |
| C.  | Neither a line nor a staff position, since the accounting department must be independent. |

|  |  |
| --- | --- |
| D.  | Both a line and a staff position. |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #6Learning Objective: 3* |

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| 7. | Which of the following best describes the function of managerial accounting within an organization?

|  |  |
| --- | --- |
| **A.**  | It has its primary emphasis on the future. |

|  |  |
| --- | --- |
| B.  | It is required by regulatory bodies such as the Ontario Securities Commission. |

|  |  |
| --- | --- |
| C.  | It focuses on the organization as a whole, rather than on the organization's segments. |

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| --- | --- |
| D.  | It places more emphasis on precision of data than financial accounting does. |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #7Learning Objective: 2* |

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| 8. | Upon which of the following does managerial accounting place considerable weight?

|  |  |
| --- | --- |
| A.  | Generally accepted accounting principles. |

|  |  |
| --- | --- |
| B.  | The financial history of the entity. |

|  |  |
| --- | --- |
| C.  | Ensuring that all transactions are properly recorded. |

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| --- | --- |
| **D.**  | Detailed segment reports about departments, products, and customers. |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #8Learning Objective: 2* |

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| 9. | For internal uses, managers are more concerned with receiving information that achieves which of the following standards?

|  |  |
| --- | --- |
| A.  | Completely objective and verifiable. |

|  |  |
| --- | --- |
| B.  | Completely accurate and precise. |

|  |  |
| --- | --- |
| **C.**  | Relevant, flexible, and timely. |

|  |  |
| --- | --- |
| D.  | Relevant, completely accurate, and precise. |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #9Learning Objective: 2* |

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| 10. | What would be an example of a performance report?

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| A.  | An income statement reporting actual results for the past month. |

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| B.  | An income statement showing the amounts budgeted for the past month. |

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| C.  | A balance sheet showing the actual financial position at the end of the past month. |

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| **D.**  | A production report showing budgeted and actual production for the past month. |

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| *Blooms Level: UnderstandDifficulty: HardGarrison - Chapter 01 #10Learning Objective: 1* |

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| 11. | Which of the following is **NOT** one of the three major customer value propositions discussed in the text?

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| A.  | customer intimacy |

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| **B.**  | discount pricing |

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| C.  | operational excellence |

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| D.  | product leadership |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #11Learning Objective: 1* |

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| 12. | Which of the following is **NOT** one of the five steps in the lean thinking model discussed in the text?

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| A.  | Continuously pursue perfection in the business process. |

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| B.  | Identify value in specific products/services. |

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| **C.**  | Implement an enterprise system. |

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| D.  | Create a pull system that responds to customer orders. |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #12Learning Objective: 5* |

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| 13. | One consequence of a change from a push to a properly implemented pull production system can be which of the following?

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| A.  | an increase in work in process inventories. |

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| **B.**  | an extremely difficult cultural change due to enforced idleness when demand falls below production capacity. |

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| C.  | an increased mismatch between what is produced and what is demanded by customers. |

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| D.  | an increase in raw materials inventories. |

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| *Blooms Level: UnderstandDifficulty: HardGarrison - Chapter 01 #13Learning Objective: 5* |

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| 14. | Which one of the following is NOT a characteristic of a pull production system?

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| A.  | Inventories are reduced to a minimum by purchasing raw materials and producing units only as needed to meet consumer demand. |

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| **B.**  | Raw materials are released to production far in advance of being needed to ensure no interruptions in work flows due to shortages of raw materials. |

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| C.  | Products are completed just in time to be shipped to customers. |

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| D.  | Manufactured parts are completed just in time to be assembled into products. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #14Learning Objective: 5* |

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| 15. | Which of the following is NOT one of the five steps in the framework used to guide Six Sigma improvement efforts?

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| --- | --- |
| A.  | Analyze. |

|  |  |
| --- | --- |
| B.  | Control. |

|  |  |
| --- | --- |
| **C.**  | Digitize. |

|  |  |
| --- | --- |
| D.  | Measure. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #15Learning Objective: 5* |

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| 16. | All three major professional accounting groups in Canada require their members to undertake professional development and/or continuing education. This practice is intended to directly satisfy which of these rules of ethical conduct?

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| --- | --- |
| A.  | Integrity. |

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| --- | --- |
| B.  | Objectivity. |

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| --- | --- |
| **C.**  | Competence. |

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| --- | --- |
| D.  | Confidentiality. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #16Learning Objective: 4* |

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| 17. | Samantha Galloway is a managerial accountant in the accounting department of Mustang Industries, Inc. Samantha has just discovered evidence that some of the corporation's marketing managers have been wrongfully inflating their expense reports in order to obtain higher reimbursements from the firm. According to the Institute of Management Accountants' Standards of Ethical Conduct, what should Samantha do upon discovering this evidence?

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| **A.**  | Notify the controller. |

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| --- | --- |
| B.  | Notify the marketing managers involved. |

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| --- | --- |
| C.  | Notify the president of the corporation. |

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| D.  | Ignore the evidence because she is not part of the Marketing Department. |

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| *Blooms Level: ApplyDifficulty: HardGarrison - Chapter 01 #17Learning Objective: 4* |

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| 18. | Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting:

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| A.  | Emphasizes financial consequences of past activities. |

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| B.  | Emphasizes precision. |

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| **C.**  | Emphasizes relevance. |

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| D.  | Must follow GAAP. |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #18Learning Objective: 2* |

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| 19. | After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system as a component of the lean thinking model. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labour hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch?

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| --- | --- |
| **A.**  | 370 |

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| --- | --- |
| B.  | 400 |

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| C.  | 430 |

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| --- | --- |
| D.  | 470 |

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| *Blooms Level: AnalyzeDifficulty: HardGarrison - Chapter 01 #19Learning Objective: 5* |

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| 20. | Which of the following facets of the lean thinking model is often called just-in-time production?

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| --- | --- |
| A.  | Identify value in specific products/services |

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| --- | --- |
| B.  | Identify the business process that delivers value |

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| **C.**  | Create a pull system that responds to customer orders |

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| --- | --- |
| D.  | Organize work arrangements around the flow of the business process |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #20Learning Objective: 5* |

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| 21. | Which of the following groups should be the focal point of a company's strategy?

|  |  |
| --- | --- |
| A.  | Employees |

|  |  |
| --- | --- |
| B.  | Board of directors |

|  |  |
| --- | --- |
| C.  | Shareholders |

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| --- | --- |
| **D.**  | Target customers |

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| *Blooms Level: UnderstandDifficulty: HardGarrison - Chapter 01 #21Learning Objective: 1* |

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| 22. | A business plan is usually formalized by means of which of the following management activities?

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| **A.**  | Strategic planning |

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| B.  | Directing |

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| --- | --- |
| C.  | Motivating |

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| --- | --- |
| D.  | Controlling |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #22Learning Objective: 1* |

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| 23. | Which of the following types of information contained in a business plan is LEAST likely to be found in the accounting records of a typical company?

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| --- | --- |
| A.  | Financial |

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| --- | --- |
| **B.**  | Competitors |

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| --- | --- |
| C.  | Internal |

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| D.  | Non-financial |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #23Learning Objective: 1* |

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| 24. | Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate governance?

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| --- | --- |
| A.  | Customers |

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| --- | --- |
| B.  | Creditors |

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| --- | --- |
| **C.**  | Shareholders |

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| --- | --- |
| D.  | Suppliers |

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| *Blooms Level: RememberDifficulty: MediumGarrison - Chapter 01 #24Learning Objective: 4* |

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| 25. | An important part of planning is to identify alternatives and then to select from among the alternatives the one that best meets the organization's objectives.  **TRUE** |

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| *Blooms Level: RememberDifficulty: MediumGarrison - Chapter 01 #25Learning Objective: 1* |

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| 26. | The controller occupies a staff position in an organization.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #26Learning Objective: 3* |

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| 27. | Persons occupying staff positions provide support and assistance to other parts of the organization.  **TRUE** |

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| *Blooms Level: RememberDifficulty: MediumGarrison - Chapter 01 #27Learning Objective: 3* |

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| 28. | Informal relationships and channels of communication often develop that do not appear on the organization chart.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #28Learning Objective: 3* |

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| 29. | Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does.  **TRUE** |

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| *Blooms Level: RememberDifficulty: MediumGarrison - Chapter 01 #29Learning Objective: 2* |

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| 30. | Managerial accounting is **not** governed by generally accepted accounting principles (GAAP).  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #30Learning Objective: 2* |

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| 31. | In general, accounting data serve both financial accounting and managerial accounting purposes.  **TRUE** |

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| *Blooms Level: UnderstandDifficulty: EasyGarrison - Chapter 01 #31Learning Objective: 2* |

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| 32. | Top management make most of the decisions in decentralized organizations.  **FALSE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #32Learning Objective: 3* |

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| 33. | Codes of professional ethics regarding competence, confidentiality, integrity, and objectivity are more important for CAs and CGAs than CMAs.  **FALSE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #33Learning Objective: 4* |

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| 34. | Business codes of ethics prescribe minimum acceptable behaviours for all employees **except** employees belonging to one of the three major professional accounting groups in Canada.  **FALSE** |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #34Learning Objective: 4* |

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| 35. | Monetary data are given equal weight by both managerial accounting and financial accounting.  **FALSE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #35Learning Objective: 2* |

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| 36. | A strategy is a game plan that enables a company to attract customers by distinguishing itself from competitors.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #36Learning Objective: 1* |

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| 37. | A strategy requires effective use of Six Sigma improvement techniques.  **FALSE** |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #37Learning Objective: 1Learning Objective: 5* |

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| 38. | A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products.  **TRUE** |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #38Learning Objective: 1* |

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| 39. | Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #39Learning Objective: 1* |

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| 40. | Companies that adopt a customer intimacy strategy are in essence saying to their target customers, "The reason you should choose us is because we understand and respond to your individual needs better than our competitors."  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #40Learning Objective: 1* |

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| 41. | Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us rather than our competitors because we strive for zero defects."  **FALSE** |

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| *Blooms Level: RememberDifficulty: MediumGarrison - Chapter 01 #41Learning Objective: 1* |

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| 42. | Corporate governance is the legal framework that allows managers to control and direct lower-level workers on the job.  **FALSE** |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #42Learning Objective: 4* |

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| 43. | A value chain consists of the major business functions that add value to the company's products and services.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #43Learning Objective: 5* |

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| 44. | The answers to many of the questions raised by prospective providers of funds can be found in the business plan.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #44Learning Objective: 1* |

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| 45. | The lean thinking model is a five step management approach that organizes resources such as people and machines around the flow of business processes and that pulls units through these processes in response to customer orders.  **TRUE** |

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| *Blooms Level: RememberDifficulty: EasyGarrison - Chapter 01 #45Learning Objective: 5* |

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| 46. | Supply chain management involves acquiring and bringing inside the company all of the processes that bring value to customers.  **FALSE** |

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| *Blooms Level: UnderstandDifficulty: MediumGarrison - Chapter 01 #46Learning Objective: 5* |

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| 47. | You have recently been hired by a manufacturing company. Two days ago, you met with the top management of the company to discuss future strategies for the firm. During the meeting, the president of the company expressed concern about the profitability of the company and the company's ability to compete effectively in the future. You responded to the president's concerns by mentioning some articles you had read in professional accounting journals regarding the lean thinking model. The president responded to your comments by saying that although the lean thinking model sounded interesting, no one in the company was knowledgeable about it. The president then requested that you prepare a brief summary of the lean thinking model for the next strategic planning meeting.Required:a. Define the lean thinking model.b. List the five major steps in the lean thinking model.c. List some of the benefits of the lean thinking model.  a. The lean thinking model is a management approach that organizes resources around the flow of business processes and pulls units through in response to customer orders. The model includes the popular just-in-time production.b. The five major steps in the lean thinking model are as follows:1) Identify value in specific products/services.2) Identify the business process that delivers value.3) Organize work arrangements around the flow of the business process.4) Create a pull system that responds to customer orders.5) Continuously pursue perfection in the business process.c. Some of the benefits that accrue from adoption of the lean thinking model are as follows:1) Lower inventories of raw materials, work in process, and finished goods.2) Fewer defects3) Less wasted efforts5) Quicker customer response times. |

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| *Blooms Level: ApplyDifficulty: MediumGarrison - Chapter 01 #47Learning Objective: 5* |

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| 48. | How much it costs a company to manufacture a particular product is one of the many questions that reports typically provided by managerial accountants help to answer.Required:Comment on the usefulness of a unit product cost information in the preparation of a set of financial statements?  Unlike a merchandising company, a manufacturing company must calculate the average unit cost of each product it manufactures. As it will be demonstrated in subsequent chapters of the book, this number is essentially the sum of the cost of all the factors of production incurred (that is, raw materials, labour, and capital) divided by the total output. The resulting unit product cost information is not only useful but essential in calculating the cost of units of the product sold required for preparing an income statement and the cost of units of the product not sold (to be reported among the assets on the balance sheet as ending inventory). |

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| *Blooms Level: AnalyzeDifficulty: HardGarrison - Chapter 01 #48Learning Objective: 1* |

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| 49. | The accounting process involves recording, estimating, organizing and summarizing of financial and operational data.Required:Describe briefly the nature of operational data and give examples for a hotel organization.  Operational data generally are non-monetary that managers need to make both routine and non-routine decisions. Managers are known to monitor closely some of this data because changes in them often have significant impact on the future success or failure of their organizations. These are called key variables or critical success factors. An example of a key variable for a hotel organization is its room occupancy rate. Examples of other operating data that may not necessarily be as key or critical as room occupancy rate are number of meals served, number of repeat customers and number of conferences or conventions hosted. |

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| *Blooms Level: AnalyzeDifficulty: HardGarrison - Chapter 01 #49Learning Objective: 1Learning Objective: 2* |

Chapter 01 Managerial Accounting and the Business Environment Summary

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| --- | --- |
| *Category* | *# of Questions* |
| Blooms Level: Analyze | 3 |
| Blooms Level: Apply | 2 |
| Blooms Level: Remember | 21 |
| Blooms Level: Understand | 23 |
| Difficulty: Easy | 22 |
| Difficulty: Hard | 7 |
| Difficulty: Medium | 20 |
| Garrison - Chapter 01 | 49 |
| Learning Objective: 1 | 19 |
| Learning Objective: 2 | 9 |
| Learning Objective: 3 | 6 |
| Learning Objective: 4 | 6 |
| Learning Objective: 5 | 11 |