

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

- 1) Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations? 1) _____
A) Budgeting. B) Planning.
C) Strategy formulation. D) Directing and motivating.

- 2) Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations? 2) _____
A) Motivating. B) Planning. C) Controlling. D) Directing.

- 3) Budgeting is part of which of the following activities managers perform in organizations? 3) _____
A) Planning. B) Controlling. C) Directing. D) Motivating.

- 4) Obtaining feedback is generally identified most directly with which of these functions of management? 4) _____
A) Directing and motivating. B) Planning.
C) Controlling. D) Decision making.

- 5) Which of the following is part of managing and improving business processes? 5) _____
A) Motivating B) Planning
C) Directing D) Lean production

- 6) Which is the most common risk management tactic? 6) _____
A) Share the risk. B) Accept the risk.
C) Reduce the risk. D) Avoid the risk.

- 7) Which of the following best describes the function of managerial accounting within an organization? 7) _____
A) It has its primary emphasis on the future.
B) It places more emphasis on precision of data than financial accounting does.
C) It focuses on the organization as a whole, rather than on the organization's segments.
D) It is required by regulatory bodies such as the Ontario Securities Commission.

- 8) Upon which of the following does managerial accounting place considerable weight? 8) _____
A) The financial history of the entity.
B) Ensuring that all transactions are properly recorded.
C) Detailed segment reports about departments, products, and customers.
D) Generally accepted accounting principles.
- 9) For internal uses, managers are more concerned with receiving information that achieves which of the following standards? 9) _____
A) Completely accurate and precise.
B) Completely objective and verifiable.
C) Relevant, flexible, and timely.
D) Relevant, completely accurate, and precise.
- 10) Which of the following would be an example of a performance report? 10) _____
A) A production report showing budgeted and actual production for the past month.
B) An income statement showing the amounts budgeted for the past month.
C) An income statement reporting actual results for the past month.
D) A balance sheet showing the actual financial position at the end of the past month.
- 11) Which of the following is **NOT** one of the three major customer value propositions discussed in the text? 11) _____
A) Discount pricing
B) Product leadership
C) Customer intimacy
D) Operational excellence
- 12) Which of the following is **NOT** a topic relating to managing and improving business processes? 12) _____
A) Corporate Governance.
B) Lean Production.
C) Risk Management.
D) Enterprise Systems.
- 13) Which one of the following is **NOT** an example of corporate social responsibility provided to customers? 13) _____
A) Opportunities for training, promotion and personal development.
B) Easy to use information systems for shopping and tracking orders.
C) Full disclosure of product related risks.
D) Safe, high- quality products that are fairly priced.
- 14) Which one of the following is **NOT** an activity in the planning and control cycle? 14) _____
A) 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.
B) Measuring performance.
C) Comparing actual to planned performance.
D) Formulating long and short-term plans.

- 15) Which of the following is **NOT** an example of a business risk? 15) _____
- A) A website malfunctioning.
 - B) Products harming customers.
 - C) A customer value proposition.
 - D) An employee accessing unauthorized information.
- 16) Professional accounting body in Canada (CPA) 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 in line with other code of ethics? 16) _____
- A) Objectivity.
 - B) Competence.
 - C) Confidentiality.
 - D) Integrity.
- 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? 17) _____
- A) Notify the controller.
 - B) Notify the president of the corporation.
 - C) Notify the marketing managers involved.
 - D) Ignore the evidence because she is not part of the Marketing Department.
- 18) Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting: 18) _____
- A) emphasizes precision.
 - B) emphasizes relevance.
 - C) emphasizes financial consequences of past activities.
 - D) must follow GAAP.
- 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? 19) _____
- A) 430
 - B) 470
 - C) 400
 - D) 370

- 20) Which of the following facets of the lean thinking model is often called just-in-time production? 20) _____
- A) Identify the business process that delivers value.
 - B) Create a pull system that responds to customer orders.
 - C) Identify value in specific products/services.
 - D) Organize work arrangements around the flow of the business process.
- 21) Which of the following groups should be the focal point of a company's strategy? 21) _____
- A) Shareholders
 - B) Target customers
 - C) Employees
 - D) Board of directors
- 22) The purpose of IFRS is: 22) _____
- A) To enhance the comparability and clarity of financial information on a global basis.
 - B) To change how management accountants prepare reports.
 - C) To encourage disclosure of Non-Financial data.
 - D) To encourage Strategic planning.
- 23) In Canada, CPA Code of Ethics is an instrument for enforcing professional conduct for its members and comprise the following: 23) _____
- A) Level of competence, integrity and objectivity
 - B) Level of competence, confidentiality, integrity, due care and objectivity
 - C) Level of competence, confidentiality and integrity
 - D) Level of competence, confidentiality and objectivity
- 24) Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate social responsibility? 24) _____
- A) All Stakeholders
 - B) Creditors
 - C) Suppliers
 - D) Customers

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

- 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. 25) _____
- 26) Lean production is a management approach that organizes resources such as people and machines around the flow of business processes and that produces units only in response to customer orders. 26) _____
- 27) Companies should identify foreseeable risks before they occur rather than react to unfortunate events that have already happened. 27) _____

- 28) A *value chain* consists of the major business functions that add value to a company's products and services. 28) _____
- 29) Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does. 29) _____
- 30) Managerial accounting is **NOT** governed by generally accepted accounting principles (GAAP). 30) _____
- 31) In general, accounting data serve both financial accounting and managerial accounting purposes. 31) _____
- 32) Product harming customers is NOT a business risk. 32) _____
- 33) Managerial accounting plays a critical role in providing information to management to facilitate implementing and monitoring strategy. 33) _____
- 34) To reduce the likelihood that employees will engage in undesirable activities that may harm various stakeholders, many companies prepare a formal code of conduct to reflect their values and moral system. 34) _____
- 35) Emphasis on the future is given equal weight by both managerial accounting and financial accounting. 35) _____
- 36) Managerial accounting plays a critical role in providing information to management to facilitate strategy implementation and monitoring. 36) _____
- 37) Lean thinking differs from traditional manufacturing methods, which organize work departmentally and encourage those departments to maximize their output even if it exceeds customer demand and bloats inventories. 37) _____
- 38) A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products. 38) _____
- 39) Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership. 39) _____
- 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." 40) _____

- 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." 41) _____
- 42) Many organizations use extrinsic incentives to highlight important goals and to motivate employees to achieve them. 42) _____
- 43) The lean approach results in fewer defects, less wasted effort, and quicker customer response times than traditional production methods. 43) _____
- 44) Managerial accounting is not mandatory. 44) _____
- 45) Many customers seek to purchase products and services from socially responsible companies. 45) _____
- 46) Lean production is often called just-in-time production. 46) _____

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

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. Describe the lean thinking model and how it differs from traditional manufacturing methods
- b. List some of the benefits of the lean thinking model.

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?

49) Provide three examples of common business risks faced by companies.

Answer Key

Testname: UNTITLED1

- 1) D
- 2) B
- 3) A
- 4) C
- 5) D
- 6) C
- 7) A
- 8) C
- 9) C
- 10) A
- 11) A
- 12) A
- 13) A
- 14) A
- 15) C
- 16) B
- 17) A
- 18) B
- 19) D
- 20) B
- 21) B
- 22) A
- 23) B
- 24) A
- 25) TRUE
- 26) TRUE
- 27) TRUE
- 28) TRUE
- 29) TRUE
- 30) TRUE
- 31) TRUE
- 32) FALSE
- 33) TRUE
- 34) TRUE
- 35) FALSE
- 36) TRUE
- 37) TRUE
- 38) TRUE
- 39) TRUE
- 40) TRUE
- 41) FALSE
- 42) TRUE

Answer Key

Testname: UNTITLED1

43) TRUE

44) TRUE

45) TRUE

46) TRUE

47) 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. Lean thinking differs from traditional manufacturing methods, which organize work departmentally and encourage those departments to maximize output even if it exceeds customer demand. Scheduling production in response to customer orders results in minimal inventory.
b. 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 defects

3) Less wasted efforts

5) Quicker customer response times.

48) 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).

49) Some examples of common business risks include: (1) losing market share to competitors; (2) Web site malfunctioning; (3) employees stealing assets or accessing unauthorized information; and (4) inaccurate budget estimates causing operational problems such as excessive inventory levels or inventory shortages.