Cost Management (Canadian) 3rd edition Eldenburg Test Bank

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Package Title: Testbank
Course Title: Eldenburg, Cost Management, Third Canadian Edition
Chapter Number: 01
Shuffle: No

Question type: True/False

1) A vision statement is one way to clarify an organization's basic purpose and ideology.

Answer: True

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Knowledge

2) Most managers follow a standard template and format when writing a vision statement.

Answer: False

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Knowledge

3) A vision statement helps employees understand how to deal with various stakeholder groups.

Answer: True

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Knowledge

4) Organizational core competencies are the tactics that managers use to take advantage of the vision.

Answer: False

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Knowledge

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5) Accounting information is the only thing managers need to make financial decisions.

Answer: False

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

6) Accounting information is used to monitor operations by comparing actual results to planned results.

Answer: True

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

7) Accounting information cannot be used to motivate employee behavior.

Answer: False

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

8) Cost accounting information is used for both external reporting and internal decision making.

Answer: True

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

9) Cost accounting information, such as the valuation of ending inventory, is shown on external financial statements.

Answer: True

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Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

10) Because accounting information is highly objective and quantitative in nature, it is **not** subject to uncertainties or management bias.

Answer: False

Difficulty: Easy
Learning Objective 1: Identify the types of control systems that managers use.
Learning Objective 2: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

11) Uncertainty and bias reduce decision quality.

Answer: True

Difficulty: Easy
Learning Objective 1: Identify the types of control systems that managers use.
Learning Objective 2: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

12) Uncertainties cause decision makers to ignore weaknesses in a preferred course of action.

Answer: False

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Knowledge

13) Uncertainties and biases do **not** affect external financial reports, because they are based on objective standards.

Answer: False

Difficulty: Easy
Learning Objective 1: Identify the types of control systems that managers use.
Learning Objective 2: Appreciate how biases affect management decision making.
CPA: Management Accounting

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Bloomcode: Knowledge

14) Because we can never completely remove biases and uncertainty from decision-making, higher-quality decision processes are often imprecise.

Answer: True

Difficulty: Easy
Learning Objective 1: Identify the types of control systems that managers use.
Learning Objective 2: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

15) Higher-quality decisions result from higher-quality information, reports, and decision-making processes.

Answer: True

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

16) Few management decisions can be made with absolute certainty.

Answer: True

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

17) Open-ended problems are **not** often seen in business.

Answer: False

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

18) When learning cost accounting, it is sufficient to learn the mechanics of applying cost accounting methods.

Answer: False

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

19) Incremental cash flows are relevant for decision-making.

Answer: True

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

20) Incremental cash flows are the same as unavoidable cash flows.

Answer: False

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

21) Relevant information for decisions can focus both on learning from the past and anticipating the future.

Answer: True

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

22) The cost of your old automobile is relevant in the decision to purchase a new automobile.

Answer: False

Difficulty: Easy

Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

23) Ethical behaviour is an individual obligation, but not an organizational obligation.

Answer: False

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

24) Employees will always make ethical decisions if they act in the best interests of shareholders.

Answer: False

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

25) Ethical behaviour is required of every employee within an organization.

Answer: True

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

Question type: Multiple Choice

26) Which of the following influences organizational strategies?

a) Organizational vision
b) Financial statement results
c) Computer software
d) Number of employees

Answer: a

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Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Knowledge

27) Which of the following statements regarding organizational vision is **false?**

a) Organizational vision means the same as core competencies
b) Organizational vision is one tool for expressing an organization's main purpose
c) Organizational vision should be communicated to all employees
d) Managers sometimes divide the organizational vision into one or more written statements

Answer: a

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Knowledge

28) An organizational vision is sometimes broken down into:
I. Mission statement
II. Core values statement
III. Code of conduct

a) I only
b) I and II only
c) I, II, and III
d) II and III only

Answer: c

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Knowledge

29) Organizational core competencies can include:

a) A mission statement
b) Patents, copyrights, and special legal protections
c) A code of conduct
d) An operating plan

Answer: b

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Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Knowledge

30) How are organizational strategies related to core competencies?

a) Competencies are the tactics managers use to take advantage of strategies
b) Competencies and strategies are an integral part of organizational vision
c) Strategies help managers exploit competencies
d) Strategies and competencies are actually two ways of expressing the same idea

Answer: c

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Comprehension

31) Organizational strategies:

a) Are reconsidered on a daily basis
b) Should never be reconsidered once they are determined
c) Are reconsidered quarterly
d) Are reconsidered periodically in response to changes in the organization or environment

Answer: d

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Knowledge

32) Which of the following is an element of an operating plan?

a) Developing an organizational mission
b) Preparing financial statements
c) Defining core values
d) Budgeting employee costs

Answer: d

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting

Bloomcode: Knowledge

33) Jane is considering opening her own business, now that she has retired from her regular job. Her business idea is a reminder and shopping service, in which clients submit lists of birthdays, anniversaries and other important dates. Jane sends her clients reminders for those dates, and shops for special gifts at the client's request. She plans to do all of the work herself rather than hiring and managing additional employees. "Providing excellent, reliable customer service at reasonable prices" best describes which of the following for Jane's business?

a) Core competency
b) Vision
c) Operating plan
d) Actual operations

Answer: b

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance
Bloomcode: Comprehension

34) Jane is considering opening her own business, now that she has retired from her regular job. Her business idea is a reminder and shopping service, in which clients submit lists of birthdays, anniversaries and other important dates. Jane sends her clients reminders for those dates, and shops for special gifts at the client's request. She plans to do all of the work herself rather than hiring and managing additional employees. Jane's core competencies are most likely to include:

a) An annual budget
b) The ability to deduct business expenses on her tax return
c) The first year's actual results
d) Her knowledge of potential gifts and the local shops

Answer: d

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Application

35) Jane is considering opening her own business, now that she has retired from her regular job. Her business idea is a reminder and shopping service, in which clients submit lists of birthdays, anniversaries and other important dates. Jane sends her clients reminders for those dates, and shops for special gifts at the client's request. She plans to do all of the work herself rather than hiring and managing additional employees. Jane's organizational strategy is most likely to include:

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a) Her knowledge of local stores
b) Operating her business from her home to keep costs low
c) Leasing equipment
d) Mailing flyers to potential clients

Answer: b or c

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance/Management Accounting
Bloomcode: Application

36) Jane is considering opening her own business, now that she has retired from her regular job. Her business idea is a reminder and shopping service, in which clients submit lists of birthdays, anniversaries and other important dates. Jane sends her clients reminders for those dates, and shops for special gifts at the client's request. She plans to do all of the work herself rather than hiring and managing additional employees. Jane's actual operations would probably include:

a) Establishing a sales strategy
b) Purchasing advertisements in local media
c) Identifying her core competencies
d) Developing a budget

Answer: b

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance/Management Accounting
Bloomcode: Application

37) Jane is considering opening her own business, now that she has retired from her regular job. Her business idea is a reminder and shopping service, in which clients submit lists of birthdays, anniversaries and other important dates. Jane sends her clients reminders for those dates, and shops for special gifts at the client's request. She plans to do all of the work herself rather than hiring and managing additional employees. Which of the following statements is true for Jane's business regarding measuring and monitoring performance?

a) Jane does not need a system to measure and monitor performance because her company is a sole proprietorship
b) Jane needs audited financial statements every year
c) Jane can track cash flows on a monthly basis
d) Jane only needs to reconcile her accounts every few years

Answer: c

Difficulty: Easy

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Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Application

38) Accounting information:
I. Can be used to guide organizational vision
II. Is a core competency for most companies
III. Can be used to motivate performance

a) I only
b) I and II only
c) I, II, and III
d) I and III only

Answer: d

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Management Accounting
Bloomcode: Knowledge

39) Cost accounting information is used for:

a) Financial reporting only
b) Management reporting only
c) Both financial and management reporting
d) Neither financial nor management reporting

Answer: c

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

40) Which of the following is a type of external report produced by an organization?

a) Cash flow plan
b) Analysis of potential acquisition
c) News release
d) Bonus computations

Answer: c

Difficulty: Easy

Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

41) Which of the following is least likely to be an external report?

a) Credit report
b) Supplier's inventory report
c) Tax return
d) Analysis of supplier quality

Answer: d

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA:
Bloomcode: Comprehension

42) Which of the following is the best example of an internal report that might come from an organization's information system?

a) Environmental Protection Agency regulatory report
b) Operating budget
c) Income tax returns
d) Medicare cost report

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

43) Financial statements are:

a) External reports produced from an organization's information system
b) Never used for internal decision making
c) Only true when they are audited
d) Unimportant reports for most organizations

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

44) Information gathered outside the organization includes:

a) Customer preferences
b) Product design specifications
c) Taxable income
d) Number of employees hired

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

45) Which of the following is not true about information in an organization's databases?

a) Information may be collected formally or informally
b) Access to database information is often restricted to specific individuals
c) Intellectual capital is usually captured in database information
d) The benefits of generating information should exceed the costs

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

46) Uncertainties:

a) Are issues about which managers have doubts
b) Do not impact accounting information, which is highly objective and reliable
c) Are preconceived notions developed without careful thought
d) Are rarely a problem in business decision making

Answer: a

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Knowledge

47) Biases:

a) Are issues about which managers have doubts
b) Do not impact accounting information, which is highly objective and reliable
c) Are preconceived notions developed without careful thought
d) Are rarely a problem in business decision making

Answer: c

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

48) WestJet has several non-stop flights daily between Toronto and Vancouver. Which of the following is an uncertainty associated with this operation?

a) The exact number of flights flown the previous day
b) The average number of passengers on each flight the previous week
c) The average number of empty seats for flights next month
d) The number of ticket agents scheduled for each shift for the next day

Answer: c

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Comprehension

49) Ramada Hotels operates hotels throughout Canada. Which of the following is the best example of a potential bias associated with its operations?

a) Managers assume that most travelers are interested in conducting business, rather than vacationing
b) Managers learn that guests rarely stay longer than a week
c) Managers find that last year's profits were below the industry average
d) Managers are concerned because employee turnover increased during the last year

Answer: a

Difficulty: Easy

Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Comprehension

50) Uncertainties and biases can affect:
I. Organizational vision
II. Core competencies
III. Operating plans

a) I only
b) II only
c) I and III only
d) I, II, and III

Answer: c

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

51) Which of the following statement about biases is true?

a) Biases can affect management accounting information, but not financial accounting information
b) Managers cannot work toward eliminating their biases
c) Biases reduce the quality of decisions
d) Biased managers are more likely to explore alternatives before making a decision

Answer: c

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Comprehension

52) Uncertainty may hinder a manager's ability to:
I. Adequately define a problem
II. Identify all potential solution options
III. Predict the outcome of various solution options

a) I and III only
b) II and III only
c) I, II, and III
d) II only

Answer: c

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Comprehension

53) Biases may be:

a) Intentional
b) Unintentional
c) Both intentional and unintentional
d) Beneficial to decision- making

Answer: c

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

54) Biases:

a) Inhibit anticipating all future conditions
b) Assist in the identification of relevant information
c) Do not affect the ability to identify irrelevant information
d) Are not a problem in ethical decision making

Answer: a

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

55) Animal Treats Company has 500 kg of liver-flavoured dog biscuits that are not selling well. The selling price of the biscuits could be reduced from $3.10 to $2.65 per kg. Or, they could be cheese-coated and sold for $4.25 per kg; the additional processing cost would be $0.40 per kg. Cheese-coated biscuits sell very well. Which alternative probably has **less** uncertainty concerning volume of sales?

a) Reduce the price of liver-flavored biscuits
b) Proceed with the cheese coating
c) Both alternatives are uncertain
d) Uncertainty does not affect this decision

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Answer: b

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Comprehension

56) Managers can make higher-quality decisions by relying on all of the following **except**:

a) More complete information
b) Better decision-making processes
c) Irrelevant information
d) Information having less uncertainty

Answer: c

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

57) How does the use of sophisticated information systems affect managerial decision-making?

a) Sophisticated information systems always improve managerial decision-making
b) Sophisticated information systems always provide better information
c) Managers may rely more on information reports than on their own biases
d) The cost of sophisticated information systems may exceed their benefit

Answer: c

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Comprehension

58) Which of the following adjectives describes higher quality information?
I. Complete
II. Costly to develop
III. Relevant

a) I and II only
b) II and III only
c) I and III only
d) I, II, and III

Answer: c

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

59) Higher-quality reports are more:
I. Relevant
II. Understandable
III. Available

a) I and II only
b) I and III only
c) II and III only
d) I, II, and III

Answer: d

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

60) Higher quality decision making processes are less:

a) Biased
b) Certain
c) Creative
d) Focused

Answer: a

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

61) The process of making higher quality business decisions requires each of the following **except**:

a) Distinguishing between relevant and irrelevant information
b) Recognizing and evaluating assumptions
c) Considering organizational values and core competencies
d) Relying on preconceived notions to make decisions more quickly

Answer: d

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

62) Which of the following statements about open-ended problems is true?

a) Open-ended problems cannot be solved with absolute certainty
b) It is not possible to find the best solution to an open-ended problem
c) Only one viable solution is possible for an open-ended problem
d) The best solution to an open-ended problem ensures the most favorable outcome

Answer: a

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Comprehension

63) Why is it necessary to identify whether a problem is open-ended?

a) Open-ended problems require less decision-making effort than other types of problems
b) Decision maker biases are not important when addressing open-ended problems
c) More than one potential solution must be explored for open-ended problems
d) Few management decisions are open-ended

Answer: c

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Comprehension

64) Which of the following is **least** likely to be an open-ended problem?

a) How to contribute as a team member
b) Choice of career
c) How to study for a course
d) Identification of required courses for a college degree

Answer: d

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Comprehension

65) Mike is creating next year's budget for Centre Corporation. He estimates that next year's sales volume will be 5% higher than this year and that the selling price per unit will remain at $75 per unit. He estimates that cost of goods sold will be $40 per unit, based on a purchase agreement the company has signed with its supplier. The company has done business with the supplier for many years. In creating the budget, which of the following tasks is most likely to be open-ended?

a) Calculating budgeted sales volume
b) Determining that sales volume will grow by 5%
c) Calculating budgeted cost of goods sold
d) Determining that cost of goods sold per unit will be $75 per unit

Answer: b

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Comprehension

66) Analyzing the strengths and weaknesses of different alternatives includes all of the following **except**:

a) Recognizing and evaluating assumptions
b) Drawing a conclusion about which alternative is best overall
c) Gauging the quality of information
d) Considering different viewpoints

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

67) Choosing and implementing a solution to a business problem includes:
I. Making trade-offs among alternatives
II. Considering the organization's strategies
III. Motivating performance within the organization

a) I only

b) I and II only
c) II and III only
d) I, II, and III

Answer: d

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

68) Management decisions require monitoring over time for all of the following reasons except:

a) The economic environment may change
b) New opportunities may become available
c) To motivate employees to follow plans exactly, even if the plan results in poor performance
d) Unforeseen threats may arise

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

69) Which of the following often prevents managers from adequately exploring information before making a decision?

a) The existence of many uncertainties
b) The need to distinguish between relevant and irrelevant information
c) The managers' biases
d) The organization's values

Answer: c

Difficulty: Easy
Learning Objective 1: Identify the types of control systems that managers use.
Learning Objective 2: Explain the information systems and information that is relevant for decision making.
Learning Objective 3: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Comprehension

70) Irrelevant information may be:
I. Useful in decision making
II. Internally generated
III. Accurate

a) I only
b) I and II only
c) II and III only
d) I, II, and III

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

71) Whether a given type of information is relevant or irrelevant depends on:

a) Its accuracy
b) Its objectivity
c) Its relation to the decision to be made
d) Whether it is cash-basis or accrual-basis

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

72) Relevant cash flows are:

a) Past cash flows
b) Future cash flows
c) Incremental cash flows
d) Unavoidable cash flows

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting

Bloomcode: Knowledge

73) In a decision to lease or borrow money and build office space, which of the following is relevant?

a) The cost of office space currently occupied by the company
b) The architect's fee for drawing the building
c) The number of employees currently working for the company
d) The personal preferences of the decision maker

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

74) Irrelevant cash flows are:

a) Avoidable
b) Unavoidable
c) Objective
d) Subjective

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

75) Relevant cash flows are:

a) Avoidable
b) Incremental
c) Both of the above
d) None of the above

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.

CPA: Management Accounting
Bloomcode: Knowledge

76) Mah is considering transportation modes to a client's office. He can drive his own car, at an incremental cost of $0.55 per km, or take a company car. If he takes his own car, he can be reimbursed $0.45 per km. If Mah makes his decision strictly from his personal economic point of view, what is the relevant net cost associated with driving his own car?

a) $0.10
b) $0.45
c) $0.55
d) Some other amount

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Application

77) As an accountant, you are responsible for:
I. Your own behavior
II. The behaviour of any organizations you manage
III. The behaviour of outside vendors with whom you interact

a) I only
b) I and II only
c) I and III only
d) I, II, and III

Answer: b

Difficulty: Easy
Learning Objective: Describe how business risks affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

78) When is the most appropriate time to identify ethical problems in organizations?

a) When they are discovered by legal authorities
b) As they arise
c) After they arise
d) When they are discovered by shareholders

Answer: b

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting
Bloomcode: Comprehension

79) Conflicts of interest often compromise managers' ability to make ethical decisions. Which of the following situations most likely includes a conflict of interest?

a) Selling goods and services at discounted prices to some clients based on historical volumes
b) Offering sales on credit only to creditworthy clients
c) Paying dividends to shareholders rather than investing in an environmental project
d) Using LIFO to report the cost of ending inventory on the balance sheet

Answer: c

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting
Bloomcode: Comprehension

80) Rewards for ethical behavior can include:
I. Integrity
II. Reputation
III. Higher profits

a) I, II, and III
b) I and III only
c) I and II only
d) II only

Answer: a

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

81) Which of the following can influence ethical behavior in organizations?
I. Employee personal values
II. Systems for measuring, monitoring and motivating
III. Organizational culture

a) I only

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b) I and II only
c) I and III only
d) I, II, and III

Answer: d

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

82) Fraudulent financial reporting:
I. Is an example of unethical behavior
II. Eventually is likely to decrease organizational market value
III. Decreases the value of the accounting profession

a) I only
b) II only
c) I and III only
d) I, II, and III

Answer: d

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

83) If a manager is deciding whether to repair equipment or replace it, which of the following is irrelevant to the decision?

a) Cost of the repair
b) Original cost of the equipment
c) Warranty period for the repair
d) Expected life of the equipment if it is not repaired

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

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84) Lori is deciding whether to go to school full-time at the local community college or get a full time job. Which of the following is not relevant to her decision?

a) Tuition costs
b) Potential salary she could earn in a full-time job
c) Cost of books
d) Monthly rent on her apartment

Answer: d

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

85) An internal report is:

a) Used for decision-making primarily inside the organization
b) Used for decision-making primarily outside the organization
c) Used to explain new personnel policies
d) Used by financial analysts

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

86) Cost accounting is all of the following **except**:

a) A process of gathering and summarizing information
b) Preparing employee evaluation reports
c) Preparing information for internal reporting and decision making
d) Preparing information used in financial statements

Answer: b

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

87) Financial accounting is all of the following **except**:

a) A process of gathering and summarizing information primarily for external reports
b) Preparing financial statements according to Generally Accepted Accounting Principles
c) Information used by shareholders, creditors, and regulators for decision-making
d) Preparing information for internal reporting and decision-making

Answer: d

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

88) Decision quality can best be increased by:

a) Thinking harder
b) Controlling for bias and uncertainties
c) Asking an expert for help
d) Using the most current technology

Answer: b

Difficulty: Easy
Learning Objective: Determine how managers make higher-quality decisions.
CPA: Management Accounting
Bloomcode: Knowledge

89) Biases are:

a) Necessary for decision-making
b) Expert opinions
c) Ideas that are adopted without careful thought
d) Always part of decision-making

Answer: c

Difficulty: Easy
Learning Objective: Appreciate how biases affect management decision making.
CPA: Management Accounting
Bloomcode: Knowledge

90) Uncertainties are:

a) Issues about which we have doubt

b) Foreseeable factors
c) Not usually part of decision-making
d) Biased information

Answer: a

Difficulty: Easy
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Knowledge

91) Relevant information:

a) Plays no part in decision-making
b) Varies with the action taken
c) Must be based on the opinion of experts
d) Is the same as unavoidable cash flows

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

92) Avoidable cash flows are:

a) Usually relevant to a decision
b) Cash flows that are incurred no matter which action is taken
c) Ignored in decision-making
d) Are the same as irrelevant cash flows

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

93) Ethical decision-making:

a) Does not include ongoing improvement
b) Considers the well-being of those affected by the decision

c) Has little to do with professional reputation
d) Is not important for accountants

Answer: b

Difficulty: Easy
Learning Objective: Explain the importance of ethical decision making.
CPA: Management Accounting/Professional and Ethical Behaviour
Bloomcode: Knowledge

94) Incremental cash flow approach:

a) Analyzes the additional cash inflows and outflows for a specific decision
b) Is not useful for decision-making
c) Is a search for as many cash flows as possible so they can all be used in decision-making.
d) Includes unavoidable cash flows

Answer: a

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Knowledge

95) Strategic cost management focuses on all of the following **except**:

a) Strengthening an organization's strategic position.
b) Reducing costs
c) Both financial and non-financial measures
d) Producing financial statements

Answer: d

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance/Management Accounting
Bloomcode: Knowledge

96) Information for decision-making:

a) Is only produced inside an organization.
b) Includes estimates and predictions
c) Ensures certainty in the decision-making process
d) Is easy to identify

Answer: b

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

97) Cost accounting differs from financial accounting in that cost accounting is:

a) Primarily concerned with income determination
b) Relied on for analyzing and implementing internal decisions
c) Focused only on qualitative information
d) Primarily concerned with external reporting

Answer: b

Difficulty: Easy
Learning Objective: Explain the role of accounting information in strategic management.
CPA: Management Accounting
Bloomcode: Knowledge

98) Bill is gathering information about buying a new car to replace his existing car. Which of the following items are irrelevant?

a) The purchase price of the new car
b) The gasoline mileage of the new car
c) The cost of parking at the university
d) The money Tom will receive for selling the old car

Answer: c

Difficulty: Easy
Learning Objective: Explain the information systems and information that is relevant for decision making.
CPA: Management Accounting
Bloomcode: Comprehension

99) Lisa would like to start a new business selling pet toys to local pet shops. To reduce her uncertainty about the volume of toys she can sell in a month, she should do all of the following **except**:

a) Ask pet store managers how many pet toys they sell every month
b) Determine the average price of the pet toys sold each month at local pet stores

c) Take a sample of toys to local stores and ask how many of each item the managers would be willing to buy
d) Produce as many toys as possible the first month to be certain she has enough

Answer: d

Difficulty: Medium
Learning Objective: Identify the types of control systems that managers use.
CPA: Management Accounting
Bloomcode: Comprehension

100) When comparing strategic planning with operational planning, which one of the following statements is most appropriate?

a) Strategic planning is performed at all levels of management
b) Operational planning results in budget data
c) Strategic planning focuses on authority and responsibility
d) Operational planning is long-range in focus

Answer: b

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance/Management Accounting
Bloomcode: Comprehension

101) Wong Company utilizes both strategic planning and operational budgeting. Which one of the following items would normally be considered in a strategic plan?

a) Setting a target of 12% return on sales
b) Maintaining the image of the company as the industry leader
c) Setting a market price per share of stock outstanding
d) Distributing monthly reports for departmental variance analysis

Answer: b

Difficulty: Easy
Learning Objective: Describe the process of strategic management and decision making.
CPA: Strategy and Governance/Management Accounting
Bloomcode: Comprehension