Cost Management - A Strategic Emphasis 2024 Release 1st edition Blocher Test Bank

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) Which of the following does not represent a main focus of cost management information?
   A) Strategic management.
   B) Performance measurement.
   C) Planning and decision making.
   D) Preparation of financial statements.
   E) Internal audit and control.

2) Strategic management can be defined as the development of a sustainable:
   A) Chain of command.
   B) Competitive position.
   C) Cash flow.
   D) Business entity.
   E) Company image.

3) Cost management has moved from a traditional role of product costing and operational control to a broader strategic focus, which places an emphasis on:
   A) Competitive pricing.
   B) Domestic marketing.
   C) Short-term thinking.
   D) Strategic thinking.
   E) Independent judgment.

4) Cost management is used to analyze the cost consequences of different design choices and to measure and report the many aspects of quality, including all of the following except:
   A) Wasted labor or materials.
   B) The nature of complaints, warranty costs, and product recalls.
   C) The short- and long-term goals of sustainability.
   D) The number of service calls.
   E) Production breakdowns.

5) In a local factory, employees are rewarded for finding new and better ways of changing the way they work. This company is motivating its employees to use what management technique?
   A) Benchmarking.
   B) Activity-Based Costing.
   C) Theory of Constraints.
   D) Continuous Improvement.
   E) Total Quality Management.

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6) A company's management accountant is trying to improve the way costs are allocated within the company. Currently, several corporate expenses are grouped together and labeled "overhead." If the accountant wanted to use activity-based costing (ABC) to help solve the problem, what should she do?
   A) She should try to trace the departments' costs to their cost objects, and then charge each department based on those cost relationships.
   B) She should research how the company's competitors are allocating their costs, and then implement one of those strategies.
   C) She should look for bottlenecks within the production process, and try to eliminate them, thus reducing costs.
   D) She should examine the firm's value chain and apply target costing before adopting activity-based costing (ABC).
   E) She should identify and monitor the costs of a product throughout its life cycle to see where the costs mostly come from.

7) The difference between wholesalers and retailers is:
   A) Wholesalers are merchandisers that sell directly to customers whereas retailers are merchandisers that sell to other merchandisers.
   B) Wholesalers are merchandisers that sell to other merchandisers whereas retailers are merchandisers that sell directly to consumers.
   C) Wholesalers are merchandisers that sell directly to the government whereas retailers are merchandisers that sell to other merchandisers.
   D) Wholesalers are merchandisers that sell directly to customers whereas retailers are merchandisers that sell directly to the government.
   E) There is no difference between wholesalers and retailers.

8) When managers produce value for the customer, their orientation consists of all the following except:
   A) Quality.
   B) Timeliness of delivery.
   C) The ability to respond to the customer's desire for specific features.
   D) State of the art manufacturing facilities.
   E) Service.

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9) In which of the following situations would Theory of Constraints be useful?
   A) Firms that have just adopted lean manufacturing.
   B) Balanced, fast movement of product through the plant.
   C) Management wants its products to have competitive prices that earn a desired profit.
   D) Long lines at checkout stands.
   E) Competitors have started to focus on sustainability and have found success in the public's eyes.

10) Target costing determines the desired cost for a product upon the basis of a given competitive price such that the product will:
   A) Earn at least a small profit.
   B) Earn a desired profit.
   C) Earn the maximum profit.
   D) Break even.
   E) Sell the highest volume.

11) Which of the following is <u>not</u> a consequence of a lack of strategic information?
   A) Lack of clarity about direction and goals.
   B) Failure to identify most profitable products, customers, and markets.
   C) Decisions based on quality financial information.
   D) Incorrect investment decisions.
   E) Choosing products, markets, or manufacturing processes inconsistent with strategic goals.

12) The strategy map is a tool that is used:
   A) as one of the key aspects of the contemporary management environment.
   B) to enhance the sustainability of the organization.
   C) to link the perspectives of the balanced scorecard.
   D) to organize the critical success factors of a company.
   E) to implement strategy.

13) Cost management information typically is the responsibility of the:
   A) Chief Financial Officer.
   B) Controller.
   C) Treasurer.
   D) Chief Information Officer.
   E) None of these answers are correct.

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14) Which of the following aspects of a company would not be considered a critical success factor, for a company that competes on differentiation?
   A) Cutting edge research and development.
   B) Excellent customer service.
   C) Award-winning product quality.
   D) Continually beating competitors to the market with new, innovative products.
   E) A high level of production efficiency.

15) Target costing:
   A) Determines cost based on an expected market demand for the product.
   B) Determines cost based on a budget.
   C) Determines cost based on standard cost.
   D) Determines cost based upon market price and desired profit.
   E) Determines cost based on a break-even formula.

16) If a firm decided to reevaluate and reorganize the way it did business, in hopes of creating competitive advantage, by changing or removing employee positions, the company would be using which of the following management techniques?
   A) The value chain.
   B) Business analytics.
   C) Business process improvement.
   D) Product reevaluation.
   E) Life cycle costing.

17) A consulting firm is trying to increase the long-term strategic focus of its company reports. Therefore, the firm has decided to use the balanced scorecard. What type of new information, that the company currently does not use in its financial reports, should the company now include?
   A) Nonfinancial information, including customer satisfaction, innovation, etc.
   B) Additional financial information, such as profitability measures and market value.
   C) Product life cycle information.
   D) Supplemental accounting reports.
   E) Continuous improvement.

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18) If a firm goes through the process of making improvements to its critical success factors based on the best practices of other firms, it is using which business process?
    A) The value chain
    B) Benchmarking
    C) Total quality management
    D) Lean Accounting
    E) Enterprise risk management

19) The Institute of Management Accountants' Statement of Ethical Professional Practice for management accountants includes the elements of:
    A) Competence, confidentiality, integrity, and relevance.
    B) Competence, confidentiality, integrity, and credibility.
    C) Competence, confidentiality, independence, and objectivity.
    D) Competence, accuracy, integrity, and independence.
    E) Competence, accuracy, integrity, and credibility.

20) The five steps of strategic decision-making include all of the following <u>except</u>:
    A) Identify the alternative actions.
    B) Gather and report accounting information.
    C) Determine the strategic issues surrounding the problem.
    D) Choose and implement the desired alternative.
    E) Provide an ongoing evaluation of the effectiveness of implementation.

21) Which of the following is <u>not</u> considered part of the Institute of Management Accountants' definition of management accounting?
    A) partnering in management decision making.
    B) devising planning and performance management systems.
    C) analyzing data and providing information.
    D) providing expertise in financial reporting and control.
    E) assisting management in the formulation and implementation of an organization's strategy.

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22) Which of the following professional certificates is considered to be the most relevant for dealing with cost management issues?
   A) The Certified Public Accountant (CPA), which is monitored differently for each state in the U.S.
   B) The Certificate in Management Accounting (CMA), which is administered through the Institute of Management Accountants.
   C) The Chartered Financial Analyst (CFA), since its program focuses on the broadest range of topics and responsibilities for financial analysis.
   D) The CPA, CMA, and CFA are viewed as equally relevant, since all three require an exam, as well as specific background and experience requirements.
   E) None of these answers are correct.

23) According to the Institute of Management Accountants (IMA) Statement of Ethical Professional Practice, what should a management accountant do if a significant ethical situation can't be resolved?
   A) The accountant should confront the guilty party and demand the unethical action be stopped.
   B) The accountant should try to rationalize and understand the position of the other party.
   C) The accountant should say nothing about the matter until he or she has retired.
   D) The accountant should first discuss the matter with the immediate supervisor.
   E) The accountant should do what they think is best and move on.

24) Which of the following aspects of the contemporary business environment involves using statistical methods such as regression or correlation analysis to predict consumer behavior, to measure customer satisfaction, or to develop models for setting prices, among other uses?
   A) Business analytics
   B) Target Costing
   C) Life Cycle Costing
   D) Benchmarking
   E) Business Process Improvement

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25) Which of the following is not one of the stages of the development of cost management systems?
   A) Cost management systems track key operating data and develop more accurate and relevant cost information for decision making.
   B) Cost management systems are basic transaction reporting systems.
   C) Strategically relevant cost management information is an integral part of the system.
   D) Cost management systems focus on costs and other financial measures.
   E) Cost management systems focus on external financial reporting.

26) Which of the following is the primary user of management accounting information regarding business units?
   A) Company management.
   B) Investors.
   C) Creditors.
   D) Industry and governmental organizations.
   E) None of these answers are correct.

27) Management accounting information plays a critical role in all of the following management functions except:
   A) Profit planning.
   B) Managerial compensation.
   C) Planning and decision making.
   D) Hiring a new Chief Information Officer (CIO).
   E) Financial reporting to the Securities and Exchange Commission (SEC).

28) Corporate management is required to identify and solve problems from a cross-functional view. Instead of viewing a problem as related to a specific business function, management solves these problems by combining skills from different functions simultaneously. This approach is called:
   A) Inclusive approach.
   B) Integrative approach.
   C) Intra-function approach.
   D) Multilateral approach.
   E) Multi-Tasking Approach.

29) Which of the following is **not** included in cost management information?
   A) Information about productivity.
   B) Financial information about costs and revenues.
   C) Information about customer retention.
   D) Information about a competitor's market strategy.
   E) Nonfinancial information.

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30) Under the framework of Enterprise Risk Management (ERM), risk is considered to include all of the following except:
    A) Safety risk due to high crime in the area.
    B) Hazards such as fire or flood.
    C) Operating risk related to customers, products, or employees.
    D) Strategic risk related to top management decisions.
    E) Financial risks due to foreign currency fluctuations, commodity price fluctuations, and changes in interest rates.

31) Nonfinancial measures of operations include all the following except:
    A) Stock price.
    B) Product quality.
    C) Customer satisfaction.
    D) Market share.
    E) Growth opportunities.

32) Under the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board (PCAOB) established rules relating to which of the following areas?
    A) Financial reporting.
    B) Production quality control.
    C) Executive compensation.
    D) Hiring and firing practices.
    E) Audit quality, ethics, and independence.

33) With the enactment of the Sarbanes-Oxley Act of 2002, all public companies are now required by the Securities and Exchange Commission (SEC) to disclose whether or not the company has:
    A) An audit committee.
    B) Human resources guidelines.
    C) A code of ethics.
    D) A management compensation plan.
    E) A certified management accountant.

34) The national sales manager for your company has pulled you aside and asked you to prepare a sales document (bill) for one of the company's largest clients before the end of the fiscal year which ends this month. This sales document will include items that have not yet been shipped and are not planned for shipment until the next fiscal year. What should you do in this situation?
    A) Bill the client as asked by the national sales manager.
    B) Bill the client since this is consistent with past transactions near fiscal year-end.
    C) Contact the client and notify them that credit terms are being extended on this invoice since the goods have not been shipped.
    D) Discuss this situation with your supervisor since the transaction cannot be recognized as a sale until the items are shipped.
    E) Bring up the matter with the external auditor.

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35) Which of the following is the most important function of management?
A) Preparation of financial statements.
B) Strategic management.
C) Planning and decision making.
D) Management control.
E) Operational control.

36) The competitive strategy of cost leadership allows a firm to outperform competitors by producing products or services:
A) With reduced quality standards, thus reducing overall costs.
B) In smaller operational units.
C) At lower cost achieved by increased productivity.
D) With attractive added features making the product more expensive, or "the cost leader".
E) That are heavily promoted and heavily warranted.

37) The competitive strategy of differentiation requires that a product or service must be:
A) Always readily available.
B) Price competitive.
C) Produced at the lowest possible cost.
D) Unique in some important way in terms of features, innovation, service or quality.
E) Marketed in different ways to different groups.

38) The competitive strategy of differentiation is implemented by a firm's targeted, careful attention to a(n):
A) Specific feature of the product or service.
B) High efficiency level of production.
C) Broad possible market.
D) Aggressive competitive pricing plan.
E) Financial goal decided upon by management.

39) Which of the following is **not** included in the planning and decision making function of management?
A) Budgeting.
B) Deciding when to lease or buy a facility.
C) Monitoring the short-term operating performance.
D) Cash flow management.
E) Deciding when to begin development of a new product.

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40) With regards to a firms product line, a cost leadership strategy would strive for _____ while a differentiation strategy would strive for _____.
   A) Wide variety; limited selection
   B) Broad cross section of the market; focused section of the market
   C) Limited selection; wide variety
   D) Focused section of the market; broad cross section of the market
   E) None of these answers are correct

41) A potential weakness of the cost leadership strategy is:
   A) Cutting costs in a way that causes the firm to grow too fast.
   B) Deleting key features or reducing quality of products or services.
   C) Lowering productivity to ensure lower costs.
   D) Increasing life cycle costs.
   E) Increasing prices temporarily to undermine competition.

42) Which of the following is <u>not</u> a benefit of using a lean manufacturing system?
   A) Lead times are reduced.
   B) Average inventory is decreased.
   C) Productivity is improved.
   D) Production operations are linked in a smooth, uninterrupted flow.
   E) Products, on average, have less variety.

43) Of the following, which aspect of a contemporary management technique is a framework and process that organizations use to manage the occurrence of possible events that could negatively or positively affect the company's competitiveness and success?
   A) Total quality management
   B) Lean accounting
   C) The theory of constraints
   D) Enterprise sustainability
   E) Enterprise risk management

44) Which of the following formulas best reflects target costing?
   A) Target cost = Firm-determined price less desired profit.
   B) Target cost = Market-determined price less desired profit.
   C) Target cost = Firm-determined price less desired revenue.
   D) Target cost = Market-determined price less desired revenue.
   E) Target cost = Firm-determined price less market-determined price.

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45) A large company has recently been experiencing larger than normal inventory levels. Management would like to implement a theory of constraints system to help control the company's inventories. Which of the following is not a benefit associated with the theory of constraints?
A) Speed of product development.
B) Existing problems such as bottlenecks are highlighted.
C) Reduced cycle time.
D) Prompt delivery.
E) Better product design.

46) The Dodd-Frank Act (2010) includes a variety of new regulations, including the creation of:
A) The Cost Accounting Standards Board.
B) The Consumer Financial Protection Bureau.
C) The Financial Services Industry Control Commission.
D) The Wall Street Reform and Protection Board.
E) The Executive Compensation Review Board.

47) Which of the following contemporary management techniques requires a balancing of multiple environmental and social goals?
A) Target costing.
B) The theory of constraints.
C) Benchmarking.
D) Business process improvement.
E) Enterprise sustainability.

48) The competitive strategy in which the firm succeeds by producing at the lowest cost in the industry is termed:
A) Differentiation.
B) Cost advantage.
C) Price strategy.
D) Cost leadership.
E) Resource-based strategy.

49) The competitive strategy in which the firm succeeds by developing and maintaining a unique value for the product, as perceived by the customer, is termed:
A) Differentiation.
B) Specialization advantage.
C) Design strategy.
D) Benchmarking.
E) Product specialization.

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50) What is one of the weaknesses of the differentiation strategy?
   A) Easy to undermine its strength by attempting to lower costs.
   B) A lack of strategic information.
   C) It undermines demand for the product.
   D) It cuts out the need for a marketing department.
   E) Consumers come to expect too high of quality from your company.

51) Due in part to increased global competitiveness and changes in management techniques and processes, what has changed about the role of the management accountant?
   A) Management accountants have started to place a greater emphasis on financial information, in order to promote continued growth in earnings.
   B) Rather than to focus on problems within functions (such as a marketing problem or a production problem), management accountants are using a strategic approach to address problems in a cross-functional manner.
   C) Management accountants have developed a variety of new techniques to measure functional area performance.
   D) There has been a renewed emphasis on short-term profitability, since product life cycles have started getting shorter.
   E) The role of management accountants has grown smaller as companies increase their global competitiveness.

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52) In the current business environment, companies cannot survive without a strategy. What exactly should an effective strategy include?
A) A set of plans for using resources to achieve sustainable goals.
B) A focus on accurate financial data, thus allowing the firm to effectively compete in any environment.
C) A focus on long-term nonfinancial information that will provide the company with versatile management techniques capable of being used in a wide variety of situations.
D) A clear, concise mission statement, naming every product and outlining the company's long-term goals of success.
E) A printed-out statement that every member of the firm should have at their desk.

53) Which of the following is considered to be a nonfinancial measure of success for customer satisfaction?
A) Product Quality.
B) Innovation (number of new products).
C) On-time delivery.
D) Product yield and reduction in waste.
E) Increase in stock price.

54) If a company is working on strategic positioning, what best describes what the company is considering?
A) How the firm is perceived by its external environment, its competitors, and its customers.
B) Where the firm's physical plants, buildings, and warehouses will be located.
C) The firm's position on important issues, such as the environment and government regulations.
D) Which competitive strategy the firm will use to achieve a sustainable competitive advantage.
E) None of these answers are correct.

55) A firm that has traditionally succeeded on the basis of its innovative products and excellent customer service has started to place greater emphasis on reducing waste and providing its customers with the lowest priced product. Which of the following most accurately describes this change of competitive strategy?
A) Cost leadership to differentiation.
B) A balanced strategy to cost leadership.
C) Differentiation to a balanced strategy.
D) Cost leadership to a balanced strategy.
E) Differentiation to cost leadership.

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56) Which of following statements is true concerning strategy?
A) Once a firm has chosen a strategy, it is unwise to change it, even though the company or business environment might change.
B) If a company does decide to compete on more than one strategy, it must carefully execute both strategies to be successful.
C) Since the business environment is always changing, rather than stick constantly with one strategy, firms should pay close attention during times of change and adjust their strategies accordingly.
D) A company following both cost leadership and differentiation strategies is likely to succeed only if it achieves one of the strategies very well.
E) A strategy is only helpful when you are entering a new business environment.

57) A strategy can be best defined as:
A) an effective use of the organization's resources.
B) a plan for using a firm's resources to achieve sustainable goals within a competitive environment.
C) a clear and detailed statement of an organization's mission and vision.
D) a plan developing a firm's mission and vision statements.
E) a mission statement that all employees must memorize to have success.

58) Which of the following is a contemporary management technique used by the management accountant to identify and monitor the costs of a product throughout all steps from product design to the finished product?
A) Enterprise risk management.
B) Target costing.
C) Life cycle costing.
D) Enterprise sustainability.
E) None of these answers are correct.

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59) Which of the following is not among the management accounting profession's response to changes in the contemporary business environment?
A) Introduction of the balanced scorecard.
B) Value chain analysis.
C) Advances in costing, including activity-based costing.
D) The introduction of business process improvement.
E) New forms of management organization.

60) Important changes in the contemporary business environment include all of the following except:
A) Management organizations.
B) Climate change.
C) Information technology.
D) Customer expectations.
E) Global competition.

61) Cost advantages usually result from:
A) Productivity in customer satisfaction.
B) Productivity in the hiring of new employees.
C) Productivity in distribution.
D) Using cheaper but lower quality materials.
E) A differentiation strategy.

62) Which of the following is not a way for a management accountant to resolve an ethical conflict?
A) Bring the matter to the attention of the company's auditor.
B) Consult an attorney concerning the ethical conflict.
C) Initiate a confidential discussion on the Ethics helpline.
D) Discuss the issue with the management accountant's immediate supervisor except when the supervisor is involved.
E) Follow the organization's established policies on the resolution of conflict.

63) Which of the following is one of the two types of organizations that influence the professional environment of the management accountant?
A) One that oversees the hiring of management accountants for public companies.
B) One that makes the management accountant's reports publicly available.
C) One that sets the rules for how to be a management accountant.
D) One that distinguishes management accountants from all other accountants.
E) One that promotes the professionalism and competence of management accountants.

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64) Under a cost leadership strategy, the cost leader:
A) Goes into segmented markets.
B) Attracts a small but loyal portion of the market.
C) Has a small market share.
D) Has a large market share.
E) Attracts customers with low prices and then raises prices once loyalty has been established.

65) The management accountant's responsibility under the Institute of Management Accountants (IMA) Statement of Ethical Professional Practice includes the responsibility to "Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts." This responsibility fits within which of the four standards in the IMA Statement?
A) Communication.
B) Integrity.
C) Competence.
D) Quality.
E) Confidentiality.

66) Communicating information fairly and objectively falls under which standard in the Institute of Management Accountants (IMA) Statement of Ethical Professional Practice?
A) Objectivity.
B) Quality.
C) Competence.
D) Credibility.
E) Confidentiality.

67) The management accountant who planned to improve an organization's operations by developing models of consumer behavior would be using which of the following contemporary management techniques?
A) Target costing.
B) Benchmarking.
C) Business analytics.
D) Lean accounting.
E) Focus on the customer.

68) Which of the following is not an attribute related to Environmental, Social, and Governing (ESG) activities?
A) Effects on climate change
B) Executive compensation
C) Relationships with customers and employees
D) Political donations
E) Ethical leadership

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69) What is one of the main reasons managers focus on Environmental, Social, and Governing (ESG) activities?
   A) ESG activities will always make a firm profitable
   B) ESG activities are required by law
   C) ESG activities and results are sought out by investors
   D) ESG activities enhance cost management systems
   E) ESG activities are an effective way to expand a firm's international reach

70) Which of the following is not one of the six domains of knowledge in the IMA Management Accounting Competency Framework?
   A) Strategy, planning, and performance.
   B) Environmental, Social, and Governing (ESG) activities.
   C) Business acumen and operations.
   D) Technology and analytics.
   E) Professional ethics and values.

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

71) At one time, management at General Motors decided to improve the competitiveness of its products by stressing product quality, style, and innovation. The objective was to improve the image of GM vehicles and thus improve sales and brand loyalty. Managers decided to push this strategy in both the manufacturing and marketing divisions of the firm. One of the key moves to implement this strategy was to insist that GM dealers stop price-cutting and push brand value and image instead. GM exerted some control over dealers' pricing or selling strategy in part by reducing the money it set aside for dealers to use in local ads.

Required:

Was General Motors following a strategy of cost leadership or differentiation at this time? Comment on how effective you think the new strategy in dealer relations is likely to be.

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72) In six months you are scheduled to graduate with a degree in business; you are majoring in accounting and minoring in finance and management information systems. In the first few chapters of your cost management text, there are repeated references to the following two terms: strategic management and the strategic emphasis to cost management.

Required:

Explain these ideas, using as a framework your need to develop a plan for interviewing successfully for a challenging professional opportunity within the next six months.

73) One of the many changes in the business environment in recent years that has had significant impact on cost management practices is a focus on the customer. You are part of the management team in a medium-size computer service company. The company is just three years old and is growing fast, doubling its customer base every six months.

Required:

a. Describe your typical customer's needs and service expectations.
b. How has the doubling of your firm's customer base every six months affected its ability to maintain this focus on the customer? If this dramatic growth continues, what are some specific actions your firm can take to retain its goal of "focus on the customer"?

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74) Apex Corporation manufactures a complete line of high quality bits for electric drills. Apex has a good record for product innovation and effective marketing and distribution. An increase in domestic and international competition during the past two years has limited the firm's sales growth to 3 percent per year, down from the previous five-year average annual growth of 5 percent. In addition, market share declined by 0.5 percent this past year. Apex is experiencing profit reductions caused by price competition and manufacturing cost increases.

Required:

Choose one of the 13 contemporary management techniques introduced in Chapter 1: Explain why the technique you selected is appropriate in helping Apex develop a plan for reversing the decline in sales growth and controlling the growth in costs.

75) The manager of a business unit of a large corporation made some projections regarding sales and profits for the upcoming final quarter of the year. The manager's performance evaluation and compensation depended significantly on his ability to meet budget goals. The manager discovered that the final quarter would have to be a particularly good quarter in order to meet these goals. He decided to implement a sales program offering liberal payment terms in order to pull some sales that would normally occur next year into the current year. Customers accepting delivery in the fourth quarter would not have to pay the invoice for 140 days. Also, he sold some equipment that was not being used and realized a significant profit on the sale.

Required:

Are these actions ethical? Why or why not?

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76) As an inspector for a manufacturer of specialized electronic instruments, you head up the quality assurance program at one of the firm's manufacturing plants. In recent days, it has come to your attention that a large order involving several hundred expensive instruments for an important customer does not meet all the required specifications. Specifically, the circuit which has been designed by your firm to warn the user of possible malfunction does not appear to work consistently. The firm's engineers say that the problem should have no significant results for the customer, as it does not affect the functionality of the instrument in any way. Moreover, the engineers indicate that it is a high priority for them to find an answer to the mysterious behavior of the circuit, and they will develop a fix as soon as possible, and make sure the customer is provided the fix, probably as part of a routine update or maintenance. The marketing V.P. indicates that the customer wants these instruments urgently, and that no quality assurance issues will get in the way.
The quality assurance head knows that the order is very important to the firm, as the firm has faced declining revenues in several recent months. Also, while the intentions of the engineers are likely to be sincere, the quality assurance head knows that they are very busy with current and new products, and are unlikely to have the time to deal with this problem in a timely manner.
Required:
What are the ethical issues involved in the case for the quality assurance head? What steps would you suggest be taken?

77) The controller of one division of a large diversified firm is compensated by salary plus bonus. The bonus is a significant part of total compensation, and is based directly on the profits of the division. Thus, the controller has an incentive to find ways to increase profits, including the delay of discretionary expenses such as research and development, delay of maintenance and repair of manufacturing equipment, and delay of sales promotions.
Required:
Is finding ways to increase profits as described above unethical? Why or why not? Who is to blame, if anyone?

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78) **Required:**
Consider the contemporary management techniques and how they might be used in each of the following industry groups. For which industry type is each management technique most applicable?

1. Manufacturing, for example, auto manufacturing, appliances, and consumer electronics
2. Professional service firms, for example, accounting firms, law firms, and medical practices
3. Retail firms, for example, Walmart and Sears

79) **Required:**
Identify two of the most successful companies or organizations in today's business environment, in your opinion. Explain why they are so successful.

80) Samsung, the large Korean manufacturer of electronics, has just developed a new QLED (Quantum Dot Light Emitting Diodes) TV. The TV retails retail in the range of $6,800 for the 75 inch, curved panel model. Normally, Samsung sells its TVs and other electronics in Big Box retailers such as Best Buy. In this case, Samsung is thinking of choosing a different means to retail the product.
Required:
What retail store or stores, or what method would you suggest Samsung use in selling its new TV?

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81) The premier auto manufacturer BMW introduced a new compact SUV (the X3) in an effort to grab a greater share of the overall luxury car market. Because its own resources were pretty well tapped out by a large number of new vehicles BMW had already introduced, the automaker decided to have the new SUV built by the parts manufacturer Magma International, based in Toronto. The vehicles would be manufactured by Magma in an Austrian plant.

Required:

Comment on the strategic issues surrounding BMW's introduction of the X3 and the use of Magma International to produce the vehicle. Do you think the company made the right decisions? Why or why not?

82) The story of the telecom giant WorldCom came to a sad turn in 2002 as the firm filed for bankruptcy, with some of the managers facing criminal charges for fraud. In 2000 a severe slump in the telecom business led to pressures within WorldCom to reduce expenses and improve the financial statements to meet investor expectations. On orders from top managers, accountants within the firm created fraudulent financial statements, ultimately resulting in an $11 billion fraud. The fraud was detected as a result of an inquiry by the SEC, which led an internal auditor within WorldCom to start an investigation that uncovered the fraud in 2002. The successor firm, MCI (which had previously merged with WorldCom and is, since 2006, a part of Verizon), under the leadership of new top management, formed the office of chief ethics officer who had the responsibility for MCI's policy of training all MCI's U.S.-based employees, an ethics hotline, an ethics pledge signed by the firm's top 100 executives, and a company code of ethics, among other responsibilities.

Required:

What should be the role of an ethics officer? To whom should the ethics officer report within the organization? Do you think MCI had a good plan for ensuring ethical behavior within the firm? How would you change the MCI ethics policy, if at all?

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Answer Key

Test name: Chapter 01

1) E
2) B
3) D
4) C
5) D
6) A
7) B
8) D
9) D
10) B
11) C
12) C
13) B
14) E
15) D
16) C
17) A
18) B
19) B
20) B
21) C
22) B
23) D
24) A
25) D
26) A
27) D
28) B
29) D
30) A
31) A
32) E
33) C
34) D
35) B
36) C
37) D
38) A
39) C
40) C
41) B
42) E
43) E
44) B
45) E
46) B
47) E
48) D
49) A
50) A
51) B
52) A
53) C
54) D
55) E
56) D
57) B
58) C
59) E
60) B
61) C
62) A
63) E
64) D
65) B
66) D
67) C
68) D
69) C
70) B
71) Essay
72) Essay
73) Essay
74) Essay
75) Essay
76) Essay
77) Essay

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78) Essay
79) Essay
80) Essay
81) Essay
82) Essay

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