Comprehensive Guide to Budgeting for Health Care Managers 1st edition Ross Test Bank

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A Comprehensive Guide to Budgeting for Health Care Managers
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Test Bank

Chapter 1 – Financial Planning and Management

1. The four functions of management are planning, organizing, leading, and controlling. Which function does not require financial competence?

A. Planning
B. Organizing
C. Leading
D. Controlling
E. All four functions require financial competence
<Answer: E>

2. Budgeting competency requires the ability to

A. Define the production system
B. Quantify expected operations in dollars
C. Analyze actual results in light of the budget to determine where costs were better or worse than expected
D. All of the above
<Answer: D>

3. Managers are generally the most knowledgeable about which aspect of budgeting?

A. Defining the production system, i.e., how goods and services are produced
B. Quantifying expected operations in dollars, i.e., building a budget
C. Analyzing potential capital investments to determine whether they are financially advantageous
D. Analyzing actual results in light of the budget to determine where costs were better or worse than expected
<Answer: A>

4. The objective of the prospective phase of the budgeting process is to

A. Estimate revenue and expenses for the upcoming fiscal year or quantify the amount of resources that should be consumed
B. Estimate revenue and expenses for the upcoming fiscal year or control resources as they are consumed
C. Facilitate and control processes or control resources as they are consumed
D. Facilitate and control processes or examine the resources that were consumed
E. Evaluate processes or examine the resources that were consumed

<Answer: A>

5. The objective of the concurrent phase of the budgeting process is to

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A. Estimate revenue and expenses for the upcoming fiscal year or quantify the amount of resources that should be consumed
B. Estimate revenue and expenses for the upcoming fiscal year or control resources as they are consumed
C. Facilitate and control processes or control resources as they are consumed
D. Facilitate and control processes or examine the resources that were consumed
E. Evaluate processes or examine the resources that were consumed

<Answer: C>

6. Evaluating the resources consumed and the performance of management is the objective of the

A. Prospective phase of budgeting
B. Concurrent phase of budgeting
C. Retrospective phase of budgeting
D. All phases of budgeting
<Answer: C>

7. Which of the following groups are primarily tasked with focusing on the work of departments and ensuring their effectiveness?

A. Senior management
B. Finance
C. Operating managers
D. Planning
E. Marketing
<Answer: C>

8. The role of senior management is to

A. Provide vision and set organizational goals
B. Determine organizational constraints and highlight trade-offs
C. Ensure the effectiveness and efficiency of production processes
D. All of the above
<Answer: A>

9. The three economic questions are

A. What to produce, how to produce, and who receives output?
B. What to produce, how to produce, and who receives profit?
C. What to produce, how much to charge, and who receives profit?

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D. What to produce, how much to produce, and how much to charge?
<Answer: A>

10. Which of the following activities does NOT occur during the budget estimation process?

A. Forecasting quantity of output
B. Estimating total revenue
C. Estimating total expense
D. Evaluating the feasibility of the budget
E. Identifying accountability when actual revenues or expenses fall short of budget targets
<Answer: E>

11. Which of the following activities does NOT occur during the budget facilitation and control process phase?

A. Communicating organization goals and resource constraints
B. Continuous monitoring of performance
C. Initiating corrective action when budget targets are not realized
D. Establishing accountability when actual revenues or expenses fall short of budget targets
<Answer: D>

12. The part of a system where resources enter the production system is

A. Input
B. Throughput
C. Output
D. Outcome
<Answer: A>

13. The two parts of a system that managers have the greatest control over are

A. Inputs and throughputs
B. Inputs and outputs (in a non-healthcare industry where inputs can be screened and rejected, patients cannot be turned away)
C. Throughputs and outputs
D. Outputs and outcomes
E. Throughputs and outcomes
<Answer: C>

14. During the throughput process

A. Inputs are transformed into outputs

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B. Inputs enter into the production processes
C. Goods and services are produced
D. Results are realized
E. Deviations from expected or desired results are recognized and communicated to other parts of the system
<Answer: A>

15. The best budget to use if managers want to control throughputs is

A. An incremental budget
B. A flexible budget
C. A zero-base budget
D. A program budget
E. An activity-based budget
<Answer: E>

16. Activity-based budgets are best if managers want to focus attention and control on

A. Inputs
B. Throughputs
C. Outputs
D. Outcomes
E. Feedback
<Answer: B>

17. The primary focus of a flexible budget is

A. Input use
B. Control of production processes
C. Efficiency
D. Effectiveness
<Answer: C>

18. According to the balanced scorecard perspective, the primary objective of an organization is to

A. Maximize the value of the organization, i.e., earn a sufficient profit
B. Maximize customer satisfaction
C. Maximize the effectiveness and efficiency of internal processes
D. Maximize the learning and growth of employees by providing access to information and tools

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E. All of the above
<Answer: A>

19. Which part of the balanced scorecard is focused on maximizing the effectiveness and efficiency of internal processes?

A. The financial perspective
B. The customer perspective
C. The internal perspective
D. The learning and growth perspective
<Answer: C>

20. In the balanced scorecard, what is the foundation from which all the other parts of the balanced scorecard are built?

A. The financial perspective
B. The customer perspective
C. The internal perspective
D. The learning and growth perspective
<Answer: D>

21. Maximizing the value of the organization should be the objective for

A. For-profits
B. Non-profits
C. Public agencies
D. All organizations
<Answer: D>

22. True/False Financial skills are only needed by personnel working in accounting, finance, and senior management.

<Answer: False>

23. True/False The primary purpose of a budget is to provide estimates of future revenues and expenses.

<Answer: False>

24. True/False The primary purpose of a budget is to provide an operating plan to facilitate management.

<Answer: True>

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25. True/False In the long run, organizations must be effective and efficient to survive.

<Answer: True>

26. True/False The role of management and the budget is to maximize the value of the organization.

<Answer: True>

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Chapter 2 – Accounting and Economics

1. Uncertainty is

A. The ability to predict a future state using a probability distribution
B. The state in which insufficient evidence exists to construct a probability distribution of the future outcome
C. The inability to reach optimal decisions due to the inherent limitations of the human mind, incomplete information, and time constraints
D. Non-socially optimal results driven by self-interested actions of individuals

<Answer: B>

2. Bounded rationality is

A. The ability to predict a future state using a probability distribution
B. The state in which insufficient evidence exists to construct a probability distribution of the future outcome
C. The inability to reach optimal decisions due to the inherent limitations of the human mind, incomplete information, and time constraints
D. Non-socially optimal results driven by self-interested actions of individuals

<Answer: C>

3. Non-socially optimal results driven by self-interested actions of individuals is

A. Opportunism
B. Bounded rationality
C. Uncertainty
D. Risk

<Answer: A>

4. Which of the following is NOT a reason for government intervention in markets?

A. Public goods
B. Externalities
C. Uncertainty
D. Income redistribution

<Answer: C>

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5. When revenue exceeds expenses, an organization's net worth

A. Should increase
B. Should decrease
C. Should remain unchanged
D. Cannot be predicted

<Answer: A>

6. Viability is

A. Assets greater than liabilities
B. Assets less than liabilities
C. Revenues greater than expenses
D. Revenues less than expenses

<Answer: C>

7. Budgeting is challenging due to

A. Lack of financial training
B. The amounts of money involved
C. The different skills needed to produce any good or service
D. All of the above
<Answer: D>

8. Profit equals

A. Total revenue – total expense
B. (P*Q) – (AVC*Q) – TFC
C. (P-AVC) * Q –TFC
D. All of the above
<Answer: D>

9. In capital budgeting managers should invest in

A. All projects with a positive ROI
B. All projects with ROI greater than the cost of capital
C. The highest ROI projects until the spending constraint is reached
D. The highest ROI projects with returns over the cost of capital until the spending constraint is reached

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<Answer: B>

10. In a capital rationing situation managers should invest in

A. All projects with a positive ROI
B. All projects with ROI greater than the cost of capital
C. The highest ROI projects until the spending constraint is reached
D. The highest ROI projects with returns over the cost of capital until the spending constraint is reached

<Answer: D>

11. Marginal revenue product is the change in

A. Total cost resulting from producing one additional output
B. Total output resulting from employing one additional input
C. Total revenue from producing one additional output
D. Total revenue from employing one additional input

<Answer: D>

12. Which type of cost has an unchanging total expense and a decreasing average expense as output increases?

A. Fixed cost
B. Variable cost
C. Step cost
D. Variable cost with fixed component

<Answer: A>

13. Which type of cost has an increasing total expense and a constant average expense as output increases?

A. Fixed cost
B. Variable cost
C. Step cost
D. Variable cost with fixed component

<Answer: B>

14. An input whose cost is determined by the quantity of input consumed is a

A. Fixed cost
B. Variable cost

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C. Step cost
D. Variable cost with fixed component

<Answer: B>

15. An input whose cost is based on a flat fee and use is a

A. Fixed cost
B. Variable cost
C. Step cost
D. Variable cost with fixed component

<Answer: D>

16. Average fixed cost

A. Increases when output increases
B. Is unaffected by changes in output
C. Decreases when output increases
D. Is stable over a range of output and increases when output reaches defined threshold

<Answer: C>

17. Total variable cost

A. Increases when output increases
B. Is unaffected by changes in output
C. Decreases when output increases
D. Is stable over a range of output and increases when output reaches defined threshold

<Answer: A>

18. Diminishing marginal returns occur when

A. The percentage change in output is greater than the percentage change in input use
B. The percentage change in output is equal to the percentage change in input use
C. The percentage change in output is less than the percentage change in input use
D. Total input use increases

<Answer: C>

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19. An organization is operating under constant returns to scale when average total cost (ATC)

A. Does not change when output increases
B. Falls as output increases
C. Increases as output increases
D. Decreases as output increases

<Answer: A>

20. An organization is operating under economies of scale when average total cost (ATC)

A. Does not change when output increases
B. Falls when output increases and increases when output decreases
C. Increases when output increases and falls when output decreases
D. Decreases when output increases or decreases

<Answer: B>

21. To reduce average total cost if an organization is operating under economies of scale, managers should

A. Attempt to increase sales and output
B. Attempt to decrease sales and output
C. Attempt to increase sales and reduce output
D. Attempt to decrease sales and increase output
E. Do nothing

<Answer: A>

22. Which of the following variables does a manager of an expense center have control over?

A. Mix of inputs
B. Product mix
C. Output prices
D. Capital investments

<Answer: A>

23. In what type of situation does a managers' authority include the input mix, the product mix, and output prices?

A. Cost centers

B. Expense centers
C. Revenue centers
D. Profit centers
E. Investment centers

<Answer: D>

24. Flexible or activity-based budgets are most appropriate for

A. Cost and expense centers
B. Expense and revenue centers
C. Revenue and profit centers
D. Profit and investment centers

<Answer: A>

25. True/False The choice to rely on a functional organizational structure is based on the belief that technical expertise is more important than customer specific knowledge.

<Answer: True>

26. True/False Silo-thinking is employees refusing to recognize events and information arising outside their organizations.

<Answer: False>

27. True/False The income statement reports the assets and liabilities of an organization.

<Answer: True>

28. True/False Pro forma financial statements report the actual results of business transactions.

<Answer: False>

29. True/False An economies of scale exists when the percentage increase in output exceeds the percentage increase in average total cost.

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<Answer: True>

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