

Chapter 1--Introduction to Cost Management 7 copy

Student: _____

1. _____ is devoted to providing information for external users.
 - A. Management accounting
 - B. Financial accounting
 - C. Internal accounting
 - D. Cost accounting

2. Financial accounting is primarily concerned with providing financial reports to all of the following EXCEPT
 - A. creditors such as banks and other financial institutions.
 - B. creditors such as suppliers.
 - C. stockholders of the company.
 - D. management of the firm.

3. Which of the following is NOT part of the financial accounting information system?
 - A. filing reports with the SEC.
 - B. reporting a large contingent liability to current and potential shareholders.
 - C. determining the future cashflows of a proposed flexible manufacturing system.
 - D. preparing GAAP financial statements.

4. Which of the following does NOT describe management accounting?
- A. evaluation of segments or products within the firm
 - B. emphasis on the future
 - C. externally focused
 - D. focus on effective use of resources
5. Which of the following is NOT a process associated with an accounting information system?
- A. auditing existing data
 - B. collecting and recording data
 - C. providing information to users
 - D. analyzing and managing data
6. Costing of products and services is an objective of a company's:
- A. Cost management system
 - B. EDI system
 - C. Financial accounting system
 - D. all of the above
7. Financial accounting information is used for:
- A. investment decisions
 - B. regulatory measures
 - C. stewardship evaluation
 - D. all of the above

8. The cost accounting system is designed to:

- A. provide information for external users
- B. provide accurate and timely feedback
- C. assign costs to individual products and services
- D. all of the above

9. The operational control system is concerned with:

- A. investment decisions
- B. what activities should be performed and assessing how well they are performed
- C. consumption of productive resources by individual products
- D. none of the above

10. Which of the following is NOT an objective of the cost management system?

- A. Decision making
- B. Costing of products, services, and other objects of interest to management
- C. Stewardship evaluation
- D. Planning and control

11. An example of a managerial decision that would require cost information is:

- A. make a component internally or buy it from a supplier
- B. accept a special order for a product
- C. discontinuation of a product line
- D. all of the above

12. Management accounting reports are prepared

- A. to meet the needs of decision makers within the firm.
- B. whenever stockholders request them.
- C. according to guidelines prepared by the Securities and Exchange Commission.
- D. according to financial accounting standards.

13. Which of the following is NOT provided by cost accountants?

- A. cost information in accordance with GAAP.
- B. cost information about processes and activities.
- C. financial information for external users.
- D. cost information about products, customers, and services.

14. The primary objective of management accounting is

- A. to provide stockholders and potential investors with useful information for decision making.
- B. to provide banks and other creditors with information useful in making credit decisions.
- C. to provide management with information useful for planning and control of operations.
- D. to provide the Internal Revenue Service with information about taxable income.

15. Cost management is concerned with

- A. reporting financial information according to GAAP.
- B. providing cost information that is used in planning, control, and decision-making.
- C. reporting to external users.
- D. providing financial information to investors.

16. Management accounting is the branch of accounting concerned with reporting to

- A. internal managers.
- B. stockholders.
- C. the government.
- D. bankers.

17. _____ broadens the focus of accounting because it is concerned with factors that drive costs, such as cycle time and process productivity.

- A. Cost accounting
- B. Cost management
- C. Financial management
- D. Financial accounting

18. Cost accounting

- A. is concerned with assigning costs to various cost objects.
- B. attempts to satisfy the costing objectives of both financial accounting and management accounting.
- C. provides cost information that supports planning, controlling, and decision making.
- D. All of the above descriptions are true.

19. Which of the following activities is NOT associated with the cost management information system?

- A. preparing a cost of quality report
- B. preparing a performance report that compares actual costs to budgeted costs
- C. determining the cost of a customer
- D. using future expected earnings to estimate the price of a share of common stock

20. Cost management

- A. has a narrower scope than cost accounting and management accounting.
- B. is concerned only with assigning costs to cost objects.
- C. is concerned only with controlling costs.
- D. uses cost information for planning, controlling, continuous improvement, and decision making.

21. Which of the following costing activities is associated with the financial accounting system?

- A. determining the cost of a department
- B. determining the cost of goods sold for financial statements
- C. preparing budgets
- D. determining the cost of a customer

22. Which of the following activities is associated with the cost management information system?

- A. preparing reports for division managers
- B. preparing reports for the IRS
- C. preparing reports for the SEC
- D. preparing financial statements that conform to GAAP

23. Which of the following activities is NOT associated with the financial accounting information system?

- A. reporting on the cost of quality
- B. reporting to the SEC
- C. preparing reports for the IRS
- D. preparing a statement of cash flows

24. In an accounting information system, which of the following is NOT a transformation process?

- A. collecting data
- B. analyzing data
- C. performance reports
- D. summarizing data

25. In an accounting information system, the inputs are usually

- A. financial statements
- B. analyzing data
- C. performance reports
- D. economic events

26. Which of the following is a cost management subsystem designed to assign costs to individual products and services and other objects, as specified by management
- A. financial accounting information system
 - B. operational control information system
 - C. cost accounting information system
 - D. all of the above
27. High quality cost management systems should have an organization-wide perspective. Which of the following would NOT be a benefit of a cost management system?
- A. increases speed by ignoring non-financial information
 - B. reduces duplicate data storage and use of data
 - C. improves timeliness of reports
 - D. increases the efficiency of generating reliable and accurate information
28. A(n) _____ is a computerized information system that strives to input data once and make it available to people across the company for different purposes.
- A. cost management information system
 - B. enterprise resource planning system
 - C. internal accounting system
 - D. financial accounting information system

29. Which of the following statements is true?

- A. The service sector comprises approximately 75 percent of the United States' economy and employment.
- B. The service sector comprises approximately 20 percent of the United States' economy and employment.
- C. Traditional smokestack industries have increased in importance in recent years.
- D. The service sector has decreased in importance in recent years.

30. Which of the following cost management tools supports the firm's concentration on the delivery of value to the customer?

- A. service industry growth
- B. global competition
- C. preparing an earnings report for the SEC
- D. value-chain analysis

31. Factors that have led to a global market for manufacturing and service firms are

- A. improved transportation and communications systems.
- B. improved telemarketing and communications.
- C. improved distribution and transportation systems.
- D. None of these factors have contributed.

32. Which of the following is NOT an advance in information technology that affects firms?

- A. computer integrated applications.
- B. GAAP reporting.
- C. emergence of electronic commerce.
- D. availability of tools such as OLAP and DSS.

33. Software that has integrated system capability using real time data is

- A. enterprise resource planning software.
- B. on-line analytic programs.
- C. computer-assisted engineering software.
- D. none of the above.

34. Which of the following activities is NOT significant to the advancement of information technology?

- A. enterprise resource planning software
- B. emergence of electronic commerce
- C. theory of constraints
- D. decision support systems

35. Electronic data interchange is best described as:

- A. the exchange of documents between computers used most often in purchasing and distribution
- B. management of products and services from acquisition of raw materials through to the retailing of the product
- C. continuously improving manufacturing and non-manufacturing activities
- D. producing a product only when it is needed

36. Automation of the manufacturing environment is associated with increases in

- A. inventory.
- B. productive capacity.
- C. processing time.
- D. none of these.

37. Which of the following approaches have led to advancements in the manufacturing environment?

- A. theory of constraints
- B. computer-integrated manufacturing
- C. JIT manufacturing
- D. all of the above

38. In JIT manufacturing, each operation produces

- A. only what is necessary for the succeeding operations.
- B. all that it can to offset fixed costs.
- C. a fixed percentage in excess of orders to ensure adequate quality stock.
- D. all that it can in order to build inventories.

39. Which of the following emerging trends in cost accounting deals with managers striving to create an environment that will enable workers to manufacture perfect (zero-defect) products?

- A. advances in information technology
- B. time as a competitive element
- C. global competition
- D. total quality management

40. Competitive advantage is established by

- A. providing more customer products than competitors.
- B. providing better quality than competitors.
- C. providing greater customer value for less cost than competitors.
- D. providing greater efficiencies than competitors.

41. Which of the following activities is NOT associated with strategic analysis and new product development?

- A. life-cycle costing
- B. target costing
- C. activity-based management
- D. performance reports

42. Total quality management emphasizes

- A. zero defects.
- B. continual improvement.
- C. elimination of waste.
- D. all of the above.

43. Cost management information systems further competitive advantage by supporting three fundamental organizational goals. Which of the following is NOT one of these fundamental organizational goals that further competitive advantage?

- A. improved time-based performance
- B. improved quality of products and services
- C. maximizing shareholder value
- D. improved efficiency

44. Which of the following statements is NOT true about world-class firms?

- A. World-class firms are firms that are poor in customer support.
- B. World-class firms know their market and their products.
- C. World-class firms strive continually to improve product design, manufacture, and delivery.
- D. World-class firms can compete with the best of the best in a global environment.

45. Improvement in time performance is most likely NOT enhanced by

- A. redesign of products.
- B. adding processes in production.
- C. eliminating waste.
- D. eliminating nonvalue-added activities.

46. A critical measure of efficiency is

- A. the cost of activity.
- B. a T-test.
- C. customer satisfaction.
- D. employee job satisfaction.

47. A relationship or data-based accounting information system

- A. shifts emphasis from internal reporting to external reporting.
- B. is accompanied by adoption of ERP programs.
- C. produces a funnel-shaped flow of information.
- D. loses detailed information in the process of summarizing information for financial statements.

48. Modern companies use a databased, relationship accounting approach, rather than the traditional approach for their accounting system. Which of the following statements is NOT true?

- A. Traditional accounting systems are oriented toward external reporting.
- B. Data-based accounting systems allow various users to create customer accounting reports.
- C. Personal computers and networked systems have made it difficult to adopt a data-based accounting system.
- D. Data-based accounting systems have facilitated the adoption and implementation of ABC.

49. The shift to data-based or relationship-based accounting systems is NOT due to

- A. a desire to create customized internal accounting reports.
- B. the development of powerful ERP software programs.
- C. the development of powerful personal computers and networked systems.
- D. a desire to increase the paper flow in current accounting systems.

50. Performance reports provide feedback

- A. only for external users
- B. only for the president of the company
- C. that is often subjective
- D. by comparing budget to actual data

51. Which of the following statements is NOT true?

- A. Individuals with the ability to think cross-functionally can shift perspectives, expanding their own understanding of the problems and their solutions.
- B. A cross-functional systems approach lets us see the forest, not just one or two of the trees.
- C. Marketing, management, and finance are interrelated.
- D. All of the above are true.

52. Cross-functional expertise is characterized by

- A. the ability to understand the relationship of all the functions in the business value chain.
- B. the ability to expertly perform all the jobs in a business.
- C. the ability to be an expert in all areas of the business.
- D. all of the above.

53. The Standards of Ethical Conduct for Practitioners of Management Accounting and Financial Management, of the Institute of Management Accountants, addresses all of the following areas, EXCEPT:

- A. competence
- B. confidentiality
- C. strategic cost management
- D. integrity

54. How does cost information affect behavior?

- A. Cost information shapes business by reporting past activity.
- B. Cost information is just data that is aggregated for financial reports.
- C. Cost information is extracted from documents to record transactions.
- D. Cost information shapes business by tracking certain information and ignoring other information.

55. Today's cost managers must assemble cost information and determine how to value things. Which methods would NOT be critical to achieving this?

- A. foreign currency translation.
- B. costing and quality analysis.
- C. differentiating between value added and non-value added activities.
- D. measuring productivity.

56. Accounting activities within an organization are usually under the overall supervision of the

- A. Certified Public Accountant.
- B. controller.
- C. Chartered Accountant.
- D. treasurer.

57. Analyzing cost overruns to determine their cause is an example of

- A. planning.
- B. control.
- C. decision making.
- D. both a and c.

58. Monitoring the number of defects produced is an example of the management function of

- A. planning.
- B. control.
- C. decision making.
- D. both a and c.

59. The setting of objectives and the identification of methods to achieve those objectives is called

- A. planning.
- B. controlling.
- C. performance evaluation.
- D. decision making.

60. Comparing actual quality costs with planned quality costs is an example of

- A. planning.
- B. controlling.
- C. performance evaluation.
- D. both b and c.

61. Performance reports are accounting reports that compare

- A. planned data with actual data.
- B. audited data with actual data.
- C. managers' bonuses with performance ratings by supervisors.
- D. actual data with industry standards.

62. Setting the company's profit targets for the upcoming year is an example of the management function of

- A. planning.
- B. control.
- C. variance analysis.
- D. internal auditing.

63. Developing a company strategy for responding to anticipated new markets is an example of

- A. planning.
- B. control.
- C. decision making.
- D. all of the above.

64. The planning process includes

- A. setting objectives.
- B. identifying means of achieving the objectives.
- C. making decisions.
- D. all of the above.

65. Investigating production variances and adjusting the production process is an example of

- A. planning.
- B. control.
- C. internal auditing.
- D. both a and c.

66. Evaluating the performance of a segment of the company is an example of

- A. planning.
- B. control.
- C. internal auditing.
- D. both a and c.

67. The formulation of a program for the accomplishment of a specific purpose is referred to as

- A. controlling.
- B. motivating.
- C. organizing.
- D. planning.

68. The manager has to decide what tasks are needed and how they should be accomplished. This statement describes

- A. the organization chart.
- B. planning.
- C. organizing.
- D. none of the above.

69. In a performance report,

- A. differences between actual costs and allowed costs are always undesirable.
- B. expenditures of less than allowed amounts are undesirable.
- C. expenditures of more than allowed amounts are not permitted to occur.
- D. expenditures of less than allowed amounts are desirable.

70. The monitoring of a plan's implementation is called

- A. planning.
- B. controlling.
- C. decision making.
- D. budgeting.

71. Inspecting units produced to determine if they meet specifications is an example of

- A. planning.
- B. control.
- C. decision making.
- D. both a and c.

72. Continuous improvement is

- A. critical in a dynamic environment.
- B. important to finding and maintaining a competitive advantage.
- C. an effort to find ways to increase overall efficiency, improve quality, and reduce costs.
- D. all of the above.

73. Which of the following describes the managerial activity of comparing actual results with budgeted results?

- A. control.
- B. continuous improvement.
- C. planning.
- D. decision making.

74. Managers are considering outsourcing subcomponents of production. Data is collected about the costs of making the subcomponent. Different bids are sought about the purchase of the subcomponents. Which managerial activity is applicable in this situation?

- A. control.
- B. continuous improvement.
- C. planning.
- D. decision making.

75. In a company, engineers have redesigned the production process lowering production costs, shorting production cycle time, reducing waste and improving quality. Which type of managerial activity applies to this situation?

- A. controlling
- B. continuous improvement
- C. planning
- D. decision making

76. Determining the bid your company should submit on a construction contract is an example of

- A. planning.
- B. control.
- C. decision making.
- D. both a and b.

77. Setting the selling price of a company's product is an example of

- A. planning.
- B. control.
- C. decision making.
- D. all of the above.

78. Principles of personal ethical behavior include:

- A. integrity.
- B. respect for others.
- C. fairness.
- D. all of the above.

79. Which of the following have been found to be true?

- A. Firms that emphasize ethics outperform firms that don't emphasize ethics.
- B. Those corporations that mention ethics in their management reports have lower than average performance.
- C. Companies with a strong code of ethics and sense of integrity and honor will have trouble competing over the long run.
- D. All of the above are true.

80. The primary objective of an organization should be to

- A. maximize the firm's net worth.
- B. maximize the firm's profit using whatever means necessary.
- C. maximize the firm's profit as long as the means used are legal.
- D. maximize the firm's profit using legal and ethical means.

81. Widespread adherence to ethical standards in a competitive economy tends to result in all of the following EXCEPT

- A. higher quality goods and services.
- B. higher prices.
- C. safer products.
- D. greater attention to the environment.

82. The standards of ethical conduct for management accountants include

- A. competence and performance.
- B. integrity and respect for others.
- C. confidentiality, confidence, integrity, and observance.
- D. competence, confidentiality, integrity, and objectivity.

83. Extending the close of the fiscal year beyond December 31 so that some sales of next year are included in the current year would be a violation of which standard of ethical conduct for management accountants?

- A. competence
- B. confidentiality
- C. conformance
- D. all of these

84. Altering dates of shipping documents of next January's sales to record them as sales in the current year would be a violation of which standard of ethical conduct for management accountants?

- A. competence
- B. integrity
- C. objectivity
- D. all of these

85. The acceptance of a savings bond from a supplier would be a violation of which standard of ethical conduct for management accountants?

- A. confidentiality
- B. integrity
- C. reliability
- D. none of these

86. In resolving an ethical conflict, it is INAPPROPRIATE to discuss the problem with the immediate supervisor because of a violation of which standard of ethical conduct for management accountants?

- A. competence
- B. confidentiality
- C. objectivity
- D. This action is not in violation of the code of conduct.

87. In resolving an ethical conflict, which of the following would NEVER be appropriate?

- A. discussing the matter with the chief executive officer
- B. discussing the matter with an external member of the board of directors
- C. taking the matter to the press where there is no legal requirement
- D. resigning from the position because of a conflict

88. When a management accountant attends training seminars on new FASB rules, which part of the IMA Code of Conduct is being observed?

- A. competence
- B. confidentiality
- C. integrity
- D. objectivity

89. Communicating unfavorable as well as favorable information and professional judgments or opinions would relate to what section of the IMA Code of Conduct?

- A. competence
- B. independence
- C. integrity
- D. objectivity

90. Which of the following relates to the objectivity section of the IMA Code of Conduct?

- A. Prepare clear and complete reports.
- B. Communicate favorable as well as unfavorable information.
- C. Avoid actual or apparent conflicts of interest.
- D. Communicate information fairly and objectively.

91. Engaging in or supporting an activity that would discredit the profession would relate to which part of the IMA Code of Conduct?

- A. competence
- B. independence
- C. integrity
- D. objectivity

92. When a management accountant ignores data in favor of unsupported opinion, this action would speak most directly to which part of the IMA Code of Conduct?

- A. competence
- B. confidentiality
- C. independence
- D. objectivity

93. Divulging company information (when not legally obligated to do so) would be a violation of which part of the IMA Code of Conduct?

- A. competence
- B. confidentiality
- C. independence
- D. objectivity

94. Persons in the United States who provide assurance services are designated as

- A. Certified Public Accountants.
- B. Certified Financial Accountants.
- C. Chartered Accountants.
- D. Certified Management Accountants.

95. The IMA has a program to recognize professional competence and educational attainment in the field of management accounting. The program leads to designation as a

- A. Certified Management Accountant.
- B. controller.
- C. Chartered Accountant.
- D. treasurer.

96. An accountant certified to possess the minimal professional qualifications for an external auditor is

- A. a CPA.
- B. a CMA.
- C. a CIA.
- D. all of the above.

97. The certification sponsored by the Institute of Management Accountants that emphasizes economics, finance, management, financial accounting and reporting, management reporting, and decision analysis is

- A. the CPA.
- B. the CMA.
- C. the CIA.
- D. all of the above.

98. Which of the following topics is NOT a separate part of the CMA examination?

- A. economics, finance, and management
- B. financial accounting and reporting
- C. external auditing
- D. management reporting, analysis, and behavioral issues

99. Briefly discuss the relationship between cost accounting, management accounting, and cost management?

100.Explain the relationship between the Financial Accounting System and the Cost Management System.

101.What are the two major subsystems of the Cost Management System and why are they important.

102. Identify and discuss the factors that are affecting the way cost accounting is practiced.

103. What is customer orientation? Why is it important in a global environment? What role does cost management play in serving customers?

104. Discuss the advances of information technology and how these advances might affect the university education supply chain?

105. Discuss four factors that are changing the way we manufacture.

106. Why has time become such an important factor in competition?

107. Personal computers significantly increase a manager's capabilities to process and use accounting information. Explain.

108. How has the nature of accounting systems shifted in response to technology?

109. Describe the major responsibilities for the role of Cost and Management accountant.

110. Describe the connection between planning, controlling, and feedback.

111. Give some examples of reporting feedback that will assist in continuous improvement of a dry cleaning company.

112.What is the role of the controller in an organization? Describe some of the activities over which he or she has control.

113.You are a management accountant for the Eugene Division of Lowden Company. Your longtime friend, David Orth, is the Eugene Division manager. David was instrumental in helping you obtain your current position. Because the manager's annual bonus is based on the amount of profit the Eugene Division reports for the year, David has asked you to "massage the numbers" to make the Eugene Division appear more profitable.

Considering the Standards of Ethical Conduct for Management Accountants, how would you respond to David Orth's request?

114. Discuss how the goal of profit maximization is affected by ethical considerations. What incentives are there for managers to manipulate accounting data in unethical ways in order to increase profits?

115. What can a company do to increase the likelihood of its employees being ethical in all their undertakings?

116. You are a management accountant for Burn's Corporation. Ruth Hamilton, the sales representative for one of Burn's suppliers, invited you to attend a professional sporting event. Because you are an avid sports fan, you accepted Ruth's invitation.

At the sporting event, Ruth begins talking about Burn's upcoming contract renewals with suppliers. Because there is intense competition and because it is the first bid she will submit to Burn's Corporation, she asks you to review her bid to make sure "it is good enough" before she submits it to the company. In addition, because you are knowledgeable about costs, especially regarding this contract, she asks you to tell her if her bid is "in the ballpark" or "needs improvement." She indicates that if she wins the contract, you will be provided with season tickets for the rest of the year.

Considering the Standards of Ethical Conduct for Management Accountants, how would you respond to Ruth's request?

117.Explain what is meant by confidentiality and why it is important.

118.Discuss the three forms of accounting certification. Which form of certification do you believe is best for management accountants? Why?

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- A. reporting on the cost of quality
 - B. reporting to the SEC
 - C. preparing reports for the IRS
 - D. preparing a statement of cash flows
24. In an accounting information system, which of the following is NOT a transformation process?
- A. collecting data
 - B. analyzing data
 - C. performance reports
 - D. summarizing data
25. In an accounting information system, the inputs are usually
- A. financial statements
 - B. analyzing data
 - C. performance reports
 - D. economic events

26. Which of the following is a cost management subsystem designed to assign costs to individual products and services and other objects, as specified by management
- A. financial accounting information system
 - B. operational control information system
 - C. cost accounting information system
 - D. all of the above
27. High quality cost management systems should have an organization-wide perspective. Which of the following would NOT be a benefit of a cost management system?
- A. increases speed by ignoring non-financial information
 - B. reduces duplicate data storage and use of data
 - C. improves timeliness of reports
 - D. increases the efficiency of generating reliable and accurate information
28. A(n) _____ is a computerized information system that strives to input data once and make it available to people across the company for different purposes.
- A. cost management information system
 - B. enterprise resource planning system
 - C. internal accounting system
 - D. financial accounting information system

29. Which of the following statements is true?
- A. The service sector comprises approximately 75 percent of the United States' economy and employment.
 - B. The service sector comprises approximately 20 percent of the United States' economy and employment.
 - C. Traditional smokestack industries have increased in importance in recent years.
 - D. The service sector has decreased in importance in recent years.
30. Which of the following cost management tools supports the firm's concentration on the delivery of value to the customer?
- A. service industry growth
 - B. global competition
 - C. preparing an earnings report for the SEC
 - D. value-chain analysis
31. Factors that have led to a global market for manufacturing and service firms are
- A. improved transportation and communications systems.
 - B. improved telemarketing and communications.
 - C. improved distribution and transportation systems.
 - D. None of these factors have contributed.

32. Which of the following is NOT an advance in information technology that affects firms?
- A. computer integrated applications.
 - B. GAAP reporting.
 - C. emergence of electronic commerce.
 - D. availability of tools such as OLAP and DSS.
33. Software that has integrated system capability using real time data is
- A. enterprise resource planning software.
 - B. on-line analytic programs.
 - C. computer-assisted engineering software.
 - D. none of the above.
34. Which of the following activities is NOT significant to the advancement of information technology?
- A. enterprise resource planning software
 - B. emergence of electronic commerce
 - C. theory of constraints
 - D. decision support systems

35. Electronic data interchange is best described as:

- A. the exchange of documents between computers used most often in purchasing and distribution
- B. management of products and services from acquisition of raw materials through to the retailing of the product
- C. continuously improving manufacturing and non-manufacturing activities
- D. producing a product only when it is needed

36. Automation of the manufacturing environment is associated with increases in

- A. inventory.
- B. productive capacity.
- C. processing time.
- D. none of these.

37. Which of the following approaches have led to advancements in the manufacturing environment?

- A. theory of constraints
- B. computer-integrated manufacturing
- C. JIT manufacturing
- D. all of the above

38. In JIT manufacturing, each operation produces
- A. only what is necessary for the succeeding operations.
 - B. all that it can to offset fixed costs.
 - C. a fixed percentage in excess of orders to ensure adequate quality stock.
 - D. all that it can in order to build inventories.
39. Which of the following emerging trends in cost accounting deals with managers striving to create an environment that will enable workers to manufacture perfect (zero-defect) products?
- A. advances in information technology
 - B. time as a competitive element
 - C. global competition
 - D. total quality management
40. Competitive advantage is established by
- A. providing more customer products than competitors.
 - B. providing better quality than competitors.
 - C. providing greater customer value for less cost than competitors.
 - D. providing greater efficiencies than competitors.

41. Which of the following activities is NOT associated with strategic analysis and new product development?
- A. life-cycle costing
 - B. target costing
 - C. activity-based management
 - D. performance reports
42. Total quality management emphasizes
- A. zero defects.
 - B. continual improvement.
 - C. elimination of waste.
 - D. all of the above.
43. Cost management information systems further competitive advantage by supporting three fundamental organizational goals. Which of the following is NOT one of these fundamental organizational goals that further competitive advantage?
- A. improved time-based performance
 - B. improved quality of products and services
 - C. maximizing shareholder value
 - D. improved efficiency

44. Which of the following statements is NOT true about world-class firms?
- A. World-class firms are firms that are poor in customer support.
 - B. World-class firms know their market and their products.
 - C. World-class firms strive continually to improve product design, manufacture, and delivery.
 - D. World-class firms can compete with the best of the best in a global environment.
45. Improvement in time performance is most likely NOT enhanced by
- A. redesign of products.
 - B. adding processes in production.
 - C. eliminating waste.
 - D. eliminating nonvalue-added activities.
46. A critical measure of efficiency is
- A. the cost of activity.
 - B. a T-test.
 - C. customer satisfaction.
 - D. employee job satisfaction.
47. A relationship or data-based accounting information system
- A. shifts emphasis from internal reporting to external reporting.
 - B. is accompanied by adoption of ERP programs.
 - C. produces a funnel-shaped flow of information.
 - D. loses detailed information in the process of summarizing information for financial statements.

48. Modern companies use a databased, relationship accounting approach, rather than the traditional approach for their accounting system. Which of the following statements is NOT true?
- A. Traditional accounting systems are oriented toward external reporting.
 - B. Data-based accounting systems allow various users to create customer accounting reports.
 - C. Personal computers and networked systems have made it difficult to adopt a data-based accounting system.
 - D. Data-based accounting systems have facilitated the adoption and implementation of ABC.
49. The shift to data-based or relationship-based accounting systems is NOT due to
- A. a desire to create customized internal accounting reports.
 - B. the development of powerful ERP software programs.
 - C. the development of powerful personal computers and networked systems.
 - D. a desire to increase the paper flow in current accounting systems.
50. Performance reports provide feedback
- A. only for external users
 - B. only for the president of the company
 - C. that is often subjective
 - D. by comparing budget to actual data

51. Which of the following statements is NOT true?

- A. Individuals with the ability to think cross-functionally can shift perspectives, expanding their own understanding of the problems and their solutions.
- B. A cross-functional systems approach lets us see the forest, not just one or two of the trees.
- C. Marketing, management, and finance are interrelated.
- D. All of the above are true.

52. Cross-functional expertise is characterized by

- A. the ability to understand the relationship of all the functions in the business value chain.
- B. the ability to expertly perform all the jobs in a business.
- C. the ability to be an expert in all areas of the business.
- D. all of the above.

53. The Standards of Ethical Conduct for Practitioners of Management Accounting and Financial Management, of the Institute of Management Accountants, addresses all of the following areas, EXCEPT:

- A. competence
- B. confidentiality
- C. strategic cost management
- D. integrity

54. How does cost information affect behavior?
- A. Cost information shapes business by reporting past activity.
 - B. Cost information is just data that is aggregated for financial reports.
 - C. Cost information is extracted from documents to record transactions.
 - D. Cost information shapes business by tracking certain information and ignoring other information.
55. Today's cost managers must assemble cost information and determine how to value things. Which methods would NOT be critical to achieving this?
- A. foreign currency translation.
 - B. costing and quality analysis.
 - C. differentiating between value added and non-value added activities.
 - D. measuring productivity.
56. Accounting activities within an organization are usually under the overall supervision of the
- A. Certified Public Accountant.
 - B. controller.
 - C. Chartered Accountant.
 - D. treasurer.

57. Analyzing cost overruns to determine their cause is an example of
- A. planning.
 - B. control.
 - C. decision making.
 - D. both a and c.
58. Monitoring the number of defects produced is an example of the management function of
- A. planning.
 - B. control.
 - C. decision making.
 - D. both a and c.
59. The setting of objectives and the identification of methods to achieve those objectives is called
- A. planning.
 - B. controlling.
 - C. performance evaluation.
 - D. decision making.
60. Comparing actual quality costs with planned quality costs is an example of
- A. planning.
 - B. controlling.
 - C. performance evaluation.
 - D. both b and c.

61. Performance reports are accounting reports that compare
- A. planned data with actual data.
 - B. audited data with actual data.
 - C. managers' bonuses with performance ratings by supervisors.
 - D. actual data with industry standards.
62. Setting the company's profit targets for the upcoming year is an example of the management function of
- A. planning.
 - B. control.
 - C. variance analysis.
 - D. internal auditing.
63. Developing a company strategy for responding to anticipated new markets is an example of
- A. planning.
 - B. control.
 - C. decision making.
 - D. all of the above.
64. The planning process includes
- A. setting objectives.
 - B. identifying means of achieving the objectives.
 - C. making decisions.
 - D. all of the above.

65. Investigating production variances and adjusting the production process is an example of
- A. planning.
 - B. control.
 - C. internal auditing.
 - D. both a and c.
66. Evaluating the performance of a segment of the company is an example of
- A. planning.
 - B. control.
 - C. internal auditing.
 - D. both a and c.
67. The formulation of a program for the accomplishment of a specific purpose is referred to as
- A. controlling.
 - B. motivating.
 - C. organizing.
 - D. planning.
68. The manager has to decide what tasks are needed and how they should be accomplished.
This statement describes
- A. the organization chart.
 - B. planning.
 - C. organizing.
 - D. none of the above.

69. In a performance report,
- A. differences between actual costs and allowed costs are always undesirable.
 - B. expenditures of less than allowed amounts are undesirable.
 - C. expenditures of more than allowed amounts are not permitted to occur.
 - D. expenditures of less than allowed amounts are desirable.
70. The monitoring of a plan's implementation is called
- A. planning.
 - B. controlling.
 - C. decision making.
 - D. budgeting.
71. Inspecting units produced to determine if they meet specifications is an example of
- A. planning.
 - B. control.
 - C. decision making.
 - D. both a and c.
72. Continuous improvement is
- A. critical in a dynamic environment.
 - B. important to finding and maintaining a competitive advantage.
 - C. an effort to find ways to increase overall efficiency, improve quality, and reduce costs.
 - D. all of the above.

73. Which of the following describes the managerial activity of comparing actual results with budgeted results?
- A. control.
 - B. continuous improvement.
 - C. planning.
 - D. decision making.
74. Managers are considering outsourcing subcomponents of production. Data is collected about the costs of making the subcomponent. Different bids are sought about the purchase of the subcomponents. Which managerial activity is applicable in this situation?
- A. control.
 - B. continuous improvement.
 - C. planning.
 - D. decision making.
75. In a company, engineers have redesigned the production process lowering production costs, shorting production cycle time, reducing waste and improving quality. Which type of managerial activity applies to this situation?
- A. controlling
 - B. continuous improvement
 - C. planning
 - D. decision making

76. Determining the bid your company should submit on a construction contract is an example of
- A. planning.
 - B. control.
 - C. decision making.
 - D. both a and b.
77. Setting the selling price of a company's product is an example of
- A. planning.
 - B. control.
 - C. decision making.
 - D. all of the above.
78. Principles of personal ethical behavior include:
- A. integrity.
 - B. respect for others.
 - C. fairness.
 - D. all of the above.

79. Which of the following have been found to be true?
- A. Firms that emphasize ethics outperform firms that don't emphasize ethics.
 - B. Those corporations that mention ethics in their management reports have lower than average performance.
 - C. Companies with a strong code of ethics and sense of integrity and honor will have trouble competing over the long run.
 - D. All of the above are true.
80. The primary objective of an organization should be to
- A. maximize the firm's net worth.
 - B. maximize the firm's profit using whatever means necessary.
 - C. maximize the firm's profit as long as the means used are legal.
 - D. maximize the firm's profit using legal and ethical means.
81. Widespread adherence to ethical standards in a competitive economy tends to result in all of the following EXCEPT
- A. higher quality goods and services.
 - B. higher prices.
 - C. safer products.
 - D. greater attention to the environment.

82. The standards of ethical conduct for management accountants include
- A. competence and performance.
 - B. integrity and respect for others.
 - C. confidentiality, confidence, integrity, and observance.
 - D. competence, confidentiality, integrity, and objectivity.
83. Extending the close of the fiscal year beyond December 31 so that some sales of next year are included in the current year would be a violation of which standard of ethical conduct for management accountants?
- A. competence
 - B. confidentiality
 - C. conformance
 - D. all of these
84. Altering dates of shipping documents of next January's sales to record them as sales in the current year would be a violation of which standard of ethical conduct for management accountants?
- A. competence
 - B. integrity
 - C. objectivity
 - D. all of these

85. The acceptance of a savings bond from a supplier would be a violation of which standard of ethical conduct for management accountants?

A. confidentiality

B. integrity

C. reliability

D. none of these

86. In resolving an ethical conflict, it is INAPPROPRIATE to discuss the problem with the immediate supervisor because of a violation of which standard of ethical conduct for management accountants?

A. competence

B. confidentiality

C. objectivity

D. This action is not in violation of the code of conduct.

87. In resolving an ethical conflict, which of the following would NEVER be appropriate?

A. discussing the matter with the chief executive officer

B. discussing the matter with an external member of the board of directors

C. taking the matter to the press where there is no legal requirement

D. resigning from the position because of a conflict

88. When a management accountant attends training seminars on new FASB rules, which part of the IMA Code of Conduct is being observed?
- A. competence
 - B. confidentiality
 - C. integrity
 - D. objectivity
89. Communicating unfavorable as well as favorable information and professional judgments or opinions would relate to what section of the IMA Code of Conduct?
- A. competence
 - B. independence
 - C. integrity
 - D. objectivity
90. Which of the following relates to the objectivity section of the IMA Code of Conduct?
- A. Prepare clear and complete reports.
 - B. Communicate favorable as well as unfavorable information.
 - C. Avoid actual or apparent conflicts of interest.
 - D. Communicate information fairly and objectively.

91. Engaging in or supporting an activity that would discredit the profession would relate to which part of the IMA Code of Conduct?
- A. competence
 - B. independence
 - C. integrity
 - D. objectivity
92. When a management accountant ignores data in favor of unsupported opinion, this action would speak most directly to which part of the IMA Code of Conduct?
- A. competence
 - B. confidentiality
 - C. independence
 - D. objectivity
93. Divulging company information (when not legally obligated to do so) would be a violation of which part of the IMA Code of Conduct?
- A. competence
 - B. confidentiality
 - C. independence
 - D. objectivity

94. Persons in the United States who provide assurance services are designated as

- A. Certified Public Accountants.
- B. Certified Financial Accountants.
- C. Chartered Accountants.
- D. Certified Management Accountants.

95. The IMA has a program to recognize professional competence and educational attainment in the field of management accounting. The program leads to designation as a

- A. Certified Management Accountant.
- B. controller.
- C. Chartered Accountant.
- D. treasurer.

96. An accountant certified to possess the minimal professional qualifications for an external auditor is

- A. a CPA.
- B. a CMA.
- C. a CIA.
- D. all of the above.

97. The certification sponsored by the Institute of Management Accountants that emphasizes economics, finance, management, financial accounting and reporting, management reporting, and decision analysis is
- A. the CPA.
 - B. the CMA.
 - C. the CIA.
 - D. all of the above.
98. Which of the following topics is NOT a separate part of the CMA examination?
- A. economics, finance, and management
 - B. financial accounting and reporting
 - C. external auditing
 - D. management reporting, analysis, and behavioral issues
99. Briefly discuss the relationship between cost accounting, management accounting, and cost management?

Management accounting is concerned with using financial and non-financial information for planning and control, continuous improvement and decision-making. Cost accounting gathers information to satisfy the cost objectives necessary for internal and external reporting. Cost management encompasses both cost accounting and management accounting. It is concerned with the assigning costs to cost objectives and using that information to make decisions that use resources effectively and maximize shareholder value.

100. Explain the relationship between the Financial Accounting System and the Cost Management System.

A financial accounting system is mainly concerned with producing information for the company's external users. Financial accounting information is used for investment decisions, stewardship evaluation, activity monitoring, and regulatory measures. The rules that govern a financial accounting system are defined by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). Outputs of a financial accounting system include the standard financial statements including the income statement, balance sheet and statement of cash flows.

A cost management system is concerned with producing information for the company's internal users and is designed to meet management objectives. A cost management system has three broad objectives to provide information on the costing of products or services, planning and control activities, and decision making activities.

101. What are the two major subsystems of the Cost Management System and why are they important.

A cost management system consists of two major sub-systems: a cost accounting system and an operational control system. The cost accounting system is designed to assign costs to individual products and services. A cost accounting system must assign costs in order to value inventory and determine the cost of goods sold.

The operational control system is designed to provide accurate and timely feedback concerning performance of managers and others. Operational control is also designed to evaluate the activities that should be performed and how well they are performed. The operational control system should be designed to provide opportunities for continuous quality improvement.

102. Identify and discuss the factors that are affecting the way cost accounting is practiced.

Seven emerging themes affecting cost element accounting are as follows: customer orientation, total quality management, new product development, time as a competitive factor, efficiency, advances in information technology, advances in the manufacturing environment, service industry growth, and global competition. Customer orientation, total quality management, and time as a competitive factor require the accountant to create and track nonfinancial measures of customer satisfaction such as quality improvement and responsiveness. New product development has led to more sophisticated cost management procedures because a high proportion of the production costs are committed during the design and development stage. Advances in information technology have led to the creation of relationship databases that allow a variety of users to develop their own reports based on their particular needs. Advances in the manufacturing environment are characterized by activity-based costing and the emergence of the JIT philosophy. Time has become a crucial element of remaining competitive and reducing time eliminates waste and reduces cost. Cost is a critical measure of efficiency and managers watch costs over time. Service industry growth has led to the need for increased management accounting information to improve productivity and quality. Finally, global competition means that companies are now competing with the best of the best. Accurate, timely, and relevant accounting data are crucial in appropriately managing cost.

103. What is customer orientation? Why is it important in a global environment? What role does cost management play in serving customers?

Organizations are concerned with the importance and value that customers have for their processes, activities, products, and services. Firms want to deliver value to customers in order to keep them and to attract new customers in an increasingly competitive global environment. Managing activities and costs is a critical component of managing the value chain.

104. Discuss the advances of information technology and how these advances might affect the university education supply chain?

There are three significant advances relating to information technology: (1) the automation and integration of company information; (2) the development of analytic and decision support tools; and (3) the emergence of electronic commerce. Universities are developing integrated databases to better streamline student services (i.e., registration, admissions, and grading). Software applications have been developed to aid in teaching and presenting classroom materials. It is now possible to attend college electronically.

105. Discuss four factors that are changing the way we manufacture.

Technology has fostered computer-integrated manufacturing-changing the way laborers work. The theory of constraints (TOC) has enabled firms to identify bottlenecks and improve the time and quality of production. JIT has reorganized the production line to respond to customer demand, rather than sequential, efficient supply. Total quality management (TQM) has focused firms on quality and continuous improvement, reducing waste and cost.

106. Why has time become such an important factor in competition?

Reducing the time that it takes to act means that companies are able to respond to customers and suppliers more quickly. It fosters adaptability and the ability to respond to changing demands. Reducing time is accomplished by reducing waste and nonvalue-added activities. Reducing activities and waste lowers cost and builds competitive advantage.

107. Personal computers significantly increase a manager's capabilities to process and use accounting information. Explain.

Personal computers allow managers to access accounting data and to build their own reports and to perform many of their own analyses. Computer assistance saves time and allows managers to work with more complex data. These features enhance a manager's capabilities.

108. How has the nature of accounting systems shifted in response to technology?

There is a shift from external report-based accounting to relationship-based accounting systems. ERP and OLAP software have allowed firms to create one database that can be used for many purposes. Information is more accessible and can be used to provide much more effective planning, control, feedback, decision making, and continuous improvement.

109. Describe the major responsibilities for the role of Cost and Management accountant.

The major responsibilities are:

- Planning - setting objectives and identifying the methods to achieve objectives
- Controlling – using feedback to evaluate or correct steps taken to implement a plan using performance reports
- Continuous Improvement – searching for ways to increase overall efficiency by reducing waste, improving quality, and reducing costs
- Decision Making – choosing among different, competing alternatives using accounting information

110. Describe the connection between planning, controlling, and feedback.

Planning establishes performance standards, feedback compares actual performance with planned performance, and control uses feedback to evaluate deviations from plans.

111. Give some examples of reporting feedback that will assist in continuous improvement of a dry cleaning company.

A dry cleaning company will be interested in monitoring all aspects of performance. It may prepare performance reports on materials and labor usage, as well as on meeting revenue targets. It will want to keep track of things important to customers, turnaround time, customer satisfaction, types of complaints, and requests for auxiliary services (i.e., delivery and tailoring). It may keep records about the characteristics of customers (i.e., profession, residence, age) to better understand their market. It will be interested in efficiency and productivity of labor and equipment. It might monitor the usage of capacity. It will be interested in reporting on all aspects of performance.

112. What is the role of the controller in an organization? Describe some of the activities over which he or she has control.

The controller is responsible for both internal and external accounting. These responsibilities usually include such diverse activities as taxes, SEC reports, cost accounting, budgeting, internal auditing, financial accounting, and systems accounting.

113. You are a management accountant for the Eugene Division of Lowden Company. Your longtime friend, David Orth, is the Eugene Division manager. David was instrumental in helping you obtain your current position. Because the manager's annual bonus is based on the amount of profit the Eugene Division reports for the year, David has asked you to "massage the numbers" to make the Eugene Division appear more profitable.

Considering the Standards of Ethical Conduct for Management Accountants, how would you respond to David Orth's request?

According to the Standards of Ethical Conduct for Management Accountants, management accountants have a responsibility to "perform their professional duties in accordance with relevant laws, regulations, and technical standards." Therefore, if "massaging the numbers" involves violating any laws, regulations, or technical standards, it would violate the Standards of Ethical Conduct for Management Accountants. In addition, the Standards of Ethical Conduct for Management Accountants indicate that management accountants have a responsibility to communicate information fairly and objectively and to communicate unfavorable as well as favorable information.

114. Discuss how the goal of profit maximization is affected by ethical considerations. What incentives are there for managers to manipulate accounting data in unethical ways in order to increase profits?

The objective of profit maximization should be constrained by the requirement that profits are achieved through legal and ethical means. Because performance evaluation and rewards for managers often are linked to reported profits, managers might manipulate accounting data to show increased profits in order to increase their own bonuses. The evaluation and reward system should be designed to discourage unethical behavior.

115. What can a company do to increase the likelihood of its employees being ethical in all their undertakings?

Companies can establish a culture and atmosphere of ethical business practices by rewarding those employees that are honest, fair, and act with integrity. They can establish their own code of professional conduct that sets out the organizational purpose, beliefs, values, and expectations of employees. The code of conduct should be known, visible, and enforced. Companies should hire certified professionals, when appropriate. Professions have codes of conduct and standards appropriate to their duties. Companies can incorporate ethical values into the selection criteria for employee recruitment.

116. You are a management accountant for Burn's Corporation. Ruth Hamilton, the sales representative for one of Burn's suppliers, invited you to attend a professional sporting event. Because you are an avid sports fan, you accepted Ruth's invitation.

At the sporting event, Ruth begins talking about Burn's upcoming contract renewals with suppliers. Because there is intense competition and because it is the first bid she will submit to Burn's Corporation, she asks you to review her bid to make sure "it is good enough" before she submits it to the company. In addition, because you are knowledgeable about costs, especially regarding this contract, she asks you to tell her if her bid is "in the ballpark" or "needs improvement." She indicates that if she wins the contract, you will be provided with season tickets for the rest of the year.

Considering the Standards of Ethical Conduct for Management Accountants, how would you respond to Ruth's request?

According to the Standards of Ethical Conduct for Management Accountants, management accountants have a responsibility to "refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through a third party." If you agree to review Ruth's bid and tell her if the bid needs improvement so that she will win the contract, this could be viewed as using confidential information for your personal advantage (season tickets). In addition, management accountants have a responsibility to refuse any gift, favor, or hospitality that would influence their actions.

117. Explain what is meant by confidentiality and why it is important.

Management accountants are entrusted with sensitive information about their companies and their dealings with outside firms. Confidentiality standards require that accountants honor this trust. They cannot disclose confidential information without the permission of the company, unless legally required to do so. They must monitor their subordinates to make sure that they are upholding the confidentiality standard. They may not use or appear to use confidential information acquired in their work for unethical or illegal advantage.

118. Discuss the three forms of accounting certification. Which form of certification do you believe is best for management accountants? Why?

The three forms of certification are the Certified Public Accountant (CPA), the Certified Management Accountant (CMA), and the Certified Internal Auditor (CIA). Although each certification can prove to be valuable for management accountants, the CMA is tailored to fit the needs of management accountants. The CPA has a public-accounting orientation, and the CIA has an internal-auditing orientation. Only the CMA specifically addresses the professional requirements of a management accountant.