

Cost Accounting: A Managerial Emphasis - Cdn. Ed., 8e (Horngren)

Chapter 1 The Accountant's Vital Role in Decision Making

1 Explain how management accounting data are essential to the process of rational operating and strategic decision making.

1) Management accounting is guided by generally accepted accounting principles.

Answer: FALSE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

2) Managerial accounting and cost accounting both measure and report financial and non-financial information relating to the cost of acquiring or utilizing resources.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

3) Cost accounting provides information for both management and financial accounting.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

4) Management accountants are required to follow the generally accepted accounting principles that are used for external financial reporting when preparing reports for internal users.

Answer: FALSE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

5) Managers typically receive reports on cost planning and controls that should be considered for internal use only.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

6) There are three (3) basic business strategies: low cost, premium products, and customer satisfaction.

Answer: FALSE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

7) Companies with a strategy of low prices compete on their ability to offer unique new products or services that are priced higher than their competition.

Answer: FALSE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

8) Cost management involves long-term and short-term decisions that attempt to increase value for customers and lower costs of products or services.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

9) The key to a company's success is always to be the low cost producer in a particular industry.

Answer: FALSE

Explanation: The low cost producer in a particular industry will not necessarily be successful.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

10) Companies generally follow one of two basic strategies: 1) providing a quality product or service at low prices, or 2) offering a unique product or service often priced higher than competing products.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

11) The Global Reporting Initiative (GRI) is a nonprofit organization established to develop guidelines so that reporting on economic, environmental and social performance by all organizations is as routine and comparable as financial reporting.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

12) Corporate social responsibility is now mandatory for all publicly traded companies in Canada.

Answer: FALSE

Explanation: Corporate social responsibility (CSR) is the voluntary integration of social and environmental concerns into business decisions.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

- 13) In what way do managers benefit from the use of a management information system?
- A) Data can be entered at numerous input terminals within the organization.
 - B) The managers would not be completely responsible for the information that is entered into the database system.
 - C) The managers could combine or adjust data to answer the questions from particular internal and external users.
 - D) The managers do not benefit, as the information requires technical expertise to retrieve.
 - E) Managers can store old documents in hard copy.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

- 14) Financial accounting is concerned primarily with
- A) cost planning and cost controls.
 - B) external reporting to investors, government authorities, etc.
 - C) profitability analysis.
 - D) providing information for strategic and tactical decisions.
 - E) providing analysis to facilitate long term decision making.

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

- 15) The text identifies six ways to classify the major differences between management and financial accounting. The "managers of the organization" is an example of which of the following classes of differences?

- A) purpose of information
- B) primary users
- C) focus and emphasis
- D) rules of measurement and reporting
- E) time span and type of reports

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

16) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Varies from hourly to 15 to 20 years" is an example of which of the following classes of differences?

- A) purpose of information
- B) primary users
- C) focus and emphasis
- D) rules of measurement and reporting
- E) time span and type of reports

Answer: E

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

17) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Past oriented (reports on 2011 performance prepared in 2012)" is an example of which of the following classes?

- A) purpose of information
- B) primary users
- C) focus and emphasis
- D) rules of measurement and reporting
- E) time span and type of reports

Answer: C

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

18) The text identifies six ways to classify the major differences between Management and Financial Accounting. The statement "Communicate organization's financial position to external users" is an example of which of the following classes?

- A) purpose of information
- B) primary users
- C) focus and emphasis
- D) rules of measurement and reporting
- E) time span and type of reports

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

19) Which of the following is something management accountants should do to satisfy their users?

- A) provide specialized information that given users can use
- B) consider only financial measures
- C) focus exclusively on internal users
- D) follow generally accepted accounting principles
- E) focus on planning more than control

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

20) "Cost management" describes

- A) the actions by managers to increase value for customers while continuously reducing and controlling costs.
- B) the identification of excessive costs in the production process.
- C) the satisfaction of customers' needs.
- D) actions by managers to satisfy customers while maintaining current cost levels.
- E) ensuring all costs remains constant.

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

21) Do you agree that prior management decisions affect cost management?

- A) Yes. Managers should always follow prior management decisions, for example, in the determination of the EOQ.
- B) No. Managers should ignore prior management decisions.
- C) Yes. Managers should always strive to lower the costs incurred last year, as their number 1 priority.
- D) Yes. The only prior management decisions that can affect cost management going forward, are concerned with employee wages. All other decisions can be changed.
- E) Yes. Prior management decisions can affect any area of the business operations, and commit the organization to the subsequent or continued incurrence of costs in such areas as material handling, and plant construction, for example.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

22) Management accounting

- A) helps creditors evaluate the company's performance.
- B) helps managers make decisions.
- C) is useful for external and internal users.
- D) creates technical reports that require external audit for verification.
- E) is the same as cost accounting.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

23) Enterprise Resource Planning software (ERP)

- A) integrates data and provide managers with reports that highlight the interdependence of different business activities.
- B) facilitates "Easy Reporting for Proposals."
- C) provides financial reports for each separate enterprise in a conglomerate.
- D) is used only by plant managers to create "Exceptional Reports for Production."
- E) is free software downloaded over the Internet.

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

24) Management accounting

- A) measures, analyzes, and reports financial and nonfinancial information to internal managers.
- B) provides information about the company as a whole.
- C) reports information that has occurred in the past that is verifiable and reliable.
- D) provides information that is generally available only on a quarterly or annual basis.
- E) must follow generally accepted accounting principles.

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

25) Financial accounting

- A) focuses on the future and includes activities such as preparing next year's operating budget.
- B) must comply with IFRS/ASPE.
- C) reports include detailed information on the various operating segments of the business such as product lines or departments.
- D) is prepared for the use of department heads and other employees.
- E) is primarily concerned with profitability analysis.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

26) An Enterprise Resource Planning System can best be described as

- A) a collection of programs that use a variety of unconnected databases.
- B) a single database that collects data and feeds it into applications that support each of the company's business activities, such as purchases, production, distribution, and sales.
- C) a database that is primarily used by a purchasing department to determine the correct amount of a particular supply item to purchase.
- D) a sophisticated means of linking two or more companies to facilitate their planning processes.
- E) exception reporting system for plant managers.

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

27) The approaches and activities of managers in short-run and long-run planning and control decisions that increase value for customers and lower costs of products and services are known as

- A) value chain management.
- B) enterprise resource planning.
- C) cost management.
- D) customer value management.
- E) management information system.

Answer: C

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

28) Strategy specifies

- A) how an organization matches its own capabilities with the opportunities in the marketplace.
- B) standard procedures to ensure quality products.
- C) incremental changes for improved performance.
- D) the demand created for products and services.
- E) that a company's financial procedures are in compliance with IFRS/ASPE.

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

29) In designing strategy, a company must match the opportunities and threats in the marketplace with

- A) those of the CFO (Chief Financial Officer).
- B) its resources and capabilities.
- C) branding opportunities.
- D) capabilities of current suppliers.
- E) its competitors.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

30) Which of the following statements refers to management accounting information?

- A) There are no regulations governing the reports.
- B) The reports are generally delayed and historical.
- C) The audience tends to be stockholders, creditors, and tax authorities.
- D) It primarily measures and records business transactions.
- E) The reports are audited so can be used in confidence by potential investors.

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

31) The people who rely most exclusively on the information in a company's audited financial statements are

- A) senior management.
- B) the accounting staff.
- C) auditors.
- D) operating managers.
- E) shareholders.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

32) Describe management accounting and financial accounting.

Answer: Management accounting provides information to internal decision makers of the business such as top executives, managers, sales representatives, and production supervisors. Its purpose is to help managers predict and evaluate future results. Reports are generated often and usually broken down into smaller reporting divisions such as department or product line. There are no rules to be complied with since these reports are for internal use only. Management accounting embraces more extensively such topics as the development and implementation of strategies and policies, budgeting, special studies and forecasts, influence on employee behaviour, and nonfinancial as well as financial information.

Financial accounting, by contrast, provides information to external decision makers such as investors and creditors. Its purpose is to present a fair picture of the financial condition of the company. Reports are generated quarterly or annually and report on the company as a whole. The financial statements must comply with IFRS/ASPE. A CPA audits, or verifies, that the IFRS/ASPE are being followed.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-1

33) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Assume you are opening a small food outlet across the street from your campus. How might that business be operated under each of the two broad strategies? Consider the following specific operational areas:

- a. target customers
- b. products offered
- c. product pricing
- d. location choice
- e. advertising content
- f. advertising media

Answer: The purpose of this question is to explore some of the differences in business operations as a result of a broad strategic choice. Answers will differ from student to student, but you should see some specific themes.

Operational Area	Low Price Strategy	Differential Strategy
Target customers	Target customers might be students on a tight budget.	Target customers might be more wealthy students, faculty, or perhaps neighbours who live nearby.
Products offered	Few products, heavy emphasis on tight cost control, probably set up as a high volume operation.	High quality products, probably a reasonable choice, restaurant might have a lot of ambience.
Product pricing	Priced at or lower than the competition in the area.	Higher priced products.
Location choice	Convenient to the target customers.	Not as convenient, perhaps in a higher-end shopping or entertainment area. Customers might seek out the high quality and be willing to travel a bit for it.
Advertising content	Advertising would emphasize the low price of the products offered.	Advertising would emphasize quality or ambience.
Advertising media	Media that would be looked at by the target customers, such as student newspapers.	Media that would be looked at by the target customer, local magazines and newspapers.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

34) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Is it possible to follow a strategy that is "in the middle"?

Answer: There is some dispute about the correct answer to this question. Some will argue that it is not good for companies to get "caught in the middle" because the customer might get confused as to whether or not the company is competing on price or is trying to make some other appeal. If the customer is confused about how the company is giving them value, they might perceive they are getting no value and abandon the product to a competitor with a clearer customer value proposition. The other side of the argument is that cost management is a necessary part of any strategy and even if the company chooses to pursue a differential strategy, management of the company should always be seeking ways to manage costs and increase customer value simultaneously regardless of their strategy. The student should be able to articulate one or the other arguments coherently.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

35) What competitive advantage could a company obtain from a successful cost management program?

Answer: There are three broad outcomes from a successful cost management program: 1) costs are reduced with no loss in customer value. In this scenario, a company might gain a competitive advantage by lowering its price with no loss in profit, or maintain the same price and increase profit; 2) customer value is increased with no change in costs. This scenario might increase customer satisfaction resulting in increased customer loyalty and perhaps increase the overall demand for the product; 3) customer value might be increased while costs are reduced simultaneously. This scenario would result in the benefits described in both 1) and 2). Also, a reduction in cost may outweigh the potential loss in revenue from delivering less value to the customer.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-1

2 Explain how business functions help management accountants organize accounting information.

1) In the value chain, research and development generates and experiments with new ideas related to new products.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

2) The value chain includes the following functions: research and development; design of products, services, or processes; production; marketing; distribution; customer service; and management satisfaction.

Answer: FALSE

Explanation: Does not include management satisfaction.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

3) In the value chain, research and development is the detailed planning and engineering of products, services, or processes.

Answer: FALSE

Explanation: R & D involves generating and experimenting with ideas related to new products, services, or processes.

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

4) Value chain and supply chain are two terms describing the same set of business functions.

Answer: FALSE

Explanation: Supply chain refers to the flow of goods, services, and information. Value chain refers to value added activities.

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

5) Sub-contracting a business function can be part of supply chain management.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

6) TQM is a method for improving quality.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

7) Key success factors such as quality, time, and the provision of innovative products and services, must be executed well to achieve corporate performance.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

8) The supply chain refers to the sequence of business functions in which customer usefulness is added to products or services.

Answer: FALSE

Explanation: The value chain refers to the sequence of business functions in which customer usefulness is added to products or services.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

9) For best results, cost management emphasizes independently coordinating supply chain activities within a company and not interfering with other companies.

Answer: FALSE

Explanation: Cost management emphasizes integrating and coordinating supply chain activities across all companies within the supply chain.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

10) Key success factors are geared to improving customer satisfaction.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

11) Key success factors include time management.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

12) What aspect of business analysis focuses on the sequence of business functions?

A) customer service

B) value chain

C) quality

D) research and development

E) product design

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

13) Which of the following is TRUE concerning the value chain of business functions?

- A) Managers should always proceed sequentially through the value chain, since distribution, for example, cannot occur before production is completed.
- B) Senior managers from individual parts of the value chain do not have a responsibility in deciding on the organization's overall strategy.
- C) An organization can only realize gains from having individual parts of the value chain work sequentially.
- D) The value chain refers to the value added to the customer from marketing.
- E) Senior managers from individual parts of the value chain have a responsibility in deciding how resources are to be obtained and used, and how rewards are to be given.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

14) When a company works with its supplier to reduce material-handling costs, this is an example of

- A) the customer-driven approach.
- B) a conflict of interest.
- C) a key success factor.
- D) a strategic marketing focus.
- E) total value chain or supply chain analysis.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

15) Determining the number of components to put into a computer monitor is an example of which of the following value chain functions?

- A) research and development
- B) design of products, services, and processes
- C) production
- D) marketing
- E) distribution

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

16) Developing a new web site to display and demonstrate the company's products would be part of which value chain function?

- A) research and development
- B) design of products, services, and processes
- C) production
- D) marketing
- E) distribution

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

17) To be successful a company should be

- A) customer driven.
- B) "driven" by the board of directors.
- C) employee driven.
- D) management driven.
- E) executive driven.

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

18) There are many aspects of a company that managers should focus on. Which of the following sets most completely describes *key success factors* for managers in terms of delivering performance to customers?

- A) cost and efficiency, time, quality, innovation
- B) cost and efficiency, quality, innovation
- C) cost and efficiency, shareholder value, quality, innovation
- D) cost and efficiency, management by exception, quality, innovation
- E) cost and efficiency, budgeting, quality, innovation

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

- 19) R&D, production, and customer service are business functions that are all included as part of
- A) the value chain.
 - B) benchmarking.
 - C) marketing.
 - D) the supply chain.
 - E) the company strategy.

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

- 20) The value chain is the sequence of business functions in which
- A) value is deducted from the products or services of an organization.
 - B) value is proportionately added to the products or services of an organization.
 - C) rational experimentation is performed to enhance product compatibility.
 - D) products and services are evaluated with respect to their value to the supply chain.
 - E) usefulness is added to the products or services of an organization.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

- 21) Whose perceptions of the company's products or services are the most important to the manager?
- A) board of directors' perception
 - B) customers' perception
 - C) president's perception
 - D) stockholders' perception
 - E) competitors' perception

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

22) Place the five business functions in the order they appear along the value chain:

A = Customer service

B = Design

C = Distribution

D = Production

E = Research and Development

F = Marketing

A) A, E, B, D, C, F

B) A, C, D, B, F, E

C) E, B, D, F, C, A

D) E, B, A, D, F, C

E) B, E, D, F, C, A

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

23) _____ is the generation of, and experimentation with, ideas related to new products, services, or processes.

A) Research and development

B) Design of products, services, or processes

C) Production

D) Marketing

E) Quality control

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

24) The value chain

A) for all companies starts with research and development.

B) is a strategy that integrates people and technology in all business functions to enhance relationships with customers, partners, and distributors.

C) describes the flow of goods, services, and information from their initial sources to the delivery to consumers regardless if those activities occur in one or more organizations.

D) is a strategy that can be focused on providing consumer goods at the lowest possible cost.

E) is the sequence of business functions in which customer usefulness is added to products or services.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

25) _____ describe(s) the flow of goods, services, and information from the purchase of materials to the delivery of products to consumers, regardless of whether those activities occur in the same organization or with other organizations.

A) Supply chain

B) Key success factors

C) Continuous improvement

D) Customer focus

E) Value chain

Answer: A

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

26) _____ is a philosophy in which management improves operations throughout the value chain to deliver products and services that exceed customer expectations.

A) Cost-benefit approach

B) Customer focus

C) Customer relationship management

D) Total quality management

E) Management by objectives

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

27) _____ refers to a strategy that integrates people and technology across all business functions and enhances relationships with customers, suppliers, and other stakeholders.

- A) Customer relationship management
- B) Strategic management
- C) Supply chain management
- D) Total quality management
- E) Customer enhancement strategy

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

28) _____ is an operational activity that is essential to corporate performance.

- A) Customer focus
- B) A key success factor
- C) Continuous improvement
- D) Supply chain
- E) Value chain

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

29) The amount of money that a company spends on research and development (R&D) relates most closely to which of the following key success factors?

- A) cost and efficiency
- B) quality
- C) time
- D) customer service
- E) innovation

Answer: E

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

30) List and briefly describe each function in the value chain. Provide an example for each of the value chain functions identified.

Answer: RESEARCH AND DEVELOPMENT—the generation of, and experimentation with, ideas related to new products, services, or processes.

DESIGN OF PRODUCTS, SERVICES, AND PROCESSES—the detailed planning and engineering of products, services, or processes.

PRODUCTION—the coordination and assembly of resources to produce a product or deliver a service.

MARKETING—the manner by which individuals or groups (a) learn about and value the attributes of products or services and (b) purchase those products or services.

DISTRIBUTION—the mechanism by which products or services are delivered to the customer.

CUSTOMER SERVICE—the support activities provided to customers.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

31) Customers are demanding that companies use the value chain and supply chain to deliver ever-improving levels of performance regarding key success factors. Briefly describe each of the following key success factors: cost and efficiency; quality; time; innovation. For each key success factor give an example an activity that relates to that factor; and, the effect of that activity on the value chain.

Answer: Cost and Efficiency: Organizations are under continuous pressure to reduce the cost of the products or services they sell. Understanding the tasks or activities that cause costs is useful in calculating and managing the cost of products. Outsourcing is an example of a function that can reduce product costs; e-business is another example. Both activities can reduce costs along the value chain.

Quality: Customers are expecting higher levels of quality and are less tolerant of low quality than in the past. TQM is a management process undertaken to improve operations throughout the value chain to produce and deliver products and services that exceed customers' expectations with zero or minimal defects and waste.

Time: Time has many components: the time taken to develop and bring new products to market; the speed at which an organization responds to customer requests; and the reliability with which promised delivery dates are met. Organizations are under pressure to complete activities faster and to meet promised delivery dates more reliably than in the past in order to increase customer satisfaction. Reducing bottlenecks along the value chain is one method of being more time efficient.

Innovation: There is now heightened recognition that a continuing flow of innovative products or services is a prerequisite for the ongoing success of most organizations. R&D decisions are at the beginning of product development so affect many of the processes that follow in the value chain.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

32) Describe the value chain and how it can help organizations become more effective.

Answer: A value chain is a sequence of business functions whose objective is to provide a product to a customer or provide an intermediate good or service in a larger value chain. These business functions include R&D, design, production, marketing, distribution, customer service.

An organization can become more effective by focusing on whether each link in the chain adds value from the customer's perspective and furthers the organization's objectives.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

33) Cyclone Car Company tries to assign appropriate responsibilities to all of its managers. Production managers receive reports which accumulate information of the shop operations for each plant. Plant operations are further aggregated in the report received by the vice president of manufacturing. These reports show the budgeted and actual operating results for the current month and year-to-date. These, along with inventory status reports, provide the major source of production information for the next planning period. Managers evaluate the variances between actual and budgeted amounts and determine whether operations are in or out of control. If variances are large, appropriate action is taken, i.e., the plans are changed.

The company's profits have been decreasing, and management has requested similar aggregate sales data from marketing. It is felt that this added information will suffice for its decision-making needs.

Required:

Do you agree? Why? Do you foresee any needs that will not be met by this information? If so, what additional information do you suggest that management be provided by the management accounting system?

Answer: The operating and variance information received by management of Cyclone Car is only a part of the total information set required to make managerial decisions which deal with the efficient allocation of the firm's resources in accordance with the policies and goals of the firm. The firm's collection of information needs to be expanded to encompass external market and economic information, analysis of causes of unacceptable variances, and evaluations of production efficiency using measures other than dollars (for example, quality). Also, student may provide metrics that support KSFs.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-2

Classify each cost item into one of the business functions of the value chain listed.

- A) distribution
- B) production
- C) marketing
- D) customer service

34) cost of samples mailed to promote sales of a new product

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

35) labour cost of workers in the manufacturing plant

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

36) bonus paid to a person with a 90% satisfaction rating in handling customers with complaints

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

37) transportation costs for shipping products to retail outlets

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

Answers: 34) C 35) B 36) D 37) A

Hardcover Company incurs the following costs when it manufactures books. Match each one of them to one of the value chain functions listed.

- A) production
- B) distribution
- C) marketing
- D) research and development

38) cost of customer order forms

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

39) cost of paper used in manufacture of books

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

40) cost of paper used in packing cartons to ship books

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

41) cost of paper used in display at national trade show

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

42) amortization of delivery trucks

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

43) amortization of the wood used in the manufacturing plant

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

44) salary of the scientists attempting to find another source of printing ink

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

Answers: 38) C 39) A 40) B 41) C 42) B 43) A 44) D

Johnson Advertising Agency incurs the following costs in its service activities. Match each one of them to one of the value chain functions listed.

- A) customer service
- B) marketing
- C) production
- D) design of products, services, and processes

45) amortization of the artist design desk

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

46) cost of computer time used to create designs for customers

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

47) cost of updating an ad for a customer

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

48) cost of computer time used by a salesperson

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

49) cost of reworking an unsuccessful ad after client complains that ad targeted wrong customers

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

50) cost of materials used in the layout of a customer's magazine ad

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-2

Answers: 45) D 46) D 47) C 48) B 49) C 50) C

3 Identify the five steps of decision making and the role of relevant accounting information.

1) Planning is choosing goals, predicting results under various alternative ways of achieving those goals, and then deciding how to attain the desired goals.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

2) A bonus paid to high performing sales persons is an example of an intrinsic reward.

Answer: FALSE

Explanation: A bonus is an example of an extrinsic reward.

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

3) Control includes the performance evaluation of personnel and operations.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

4) Management should evaluate the difference between planned and budgeted amounts.

Answer: FALSE

Explanation: Planned and budgeted amounts are synonymous.

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

5) The problem identification function is the accumulation of data and reporting reliable results to all levels of management.

Answer: FALSE

Explanation: Problem identification does not include reporting.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

6) Learning arises from comparing actual performance to expected performance.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

7) The process of preparing a budget enhances coordination and communication throughout the company.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

8) A budget may be used as a planning tool, but not as a control tool.

Answer: FALSE

Explanation: A budget may be used as a planning tool and also as a control tool.

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

9) Control includes deciding what feedback to provide that will help with future decision making.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

10) Performance measures must be based on financial information to be verifiable.

Answer: FALSE

Explanation: Both quantitative and qualitative measures of performance can be measured.

Diff: 3 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

11) A budget is defined as

A) the qualitative expression of a plan.

B) an aid in controlling income.

C) the quantitative expression of a plan of action by management.

D) the quantitative expression of a plan and an aid in controlling income.

E) an aid in coordinating and implementing a plan.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

12) Understanding the reasons for any difference between actual results and budgeted amounts is an important aspect of

- A) extended value-chain analysis.
- B) forecasting for the next accounting period.
- C) kaizen management.
- D) control.
- E) management by perception.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

13) Which of the following is a major benefit of utilizing a budgeting system?

- A) It always results in more profitable decisions.
- B) It is easier for managers than traditional decision-making models.
- C) It saves costs by utilizing historical data to make projections.
- D) It facilitates coordination and communication.
- E) Once a successful budget is developed, it can be re-used year after year.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

14) Once an action plan is implemented, it should

- A) ensure that managers follow the pre-existing plan.
- B) allow the originating manager(s) to keep lower-level managers from making changes.
- C) be flexible.
- D) should be followed rigidly.
- E) requires top management permission to change.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

- 15) A well conceived plan allows managers to have the ability to
- A) stay with the pre-existing plan when things start to change for the better.
 - B) leave the system and let the plan continue on its own.
 - C) underestimate the costs so that actual operating results will be favourable when comparisons are made.
 - D) take advantage of unforeseen opportunities.
 - E) stay the course regardless of the outcome.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

- 16) The budgetary control function may include evaluating the difference
- A) between current operating costs and last year's operating costs.
 - B) between budgeted amounts and actual results.
 - C) between the original budget and the final adjusted budget.
 - D) allowed in the current production costs.
 - E) between the historical cost and the current cost.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

- 17) Which of the following is NOT a use of feedback, from a manager's perspective?
- A) to improve past performances
 - B) to search for alternative ways of reaching goals
 - C) to change goals
 - D) to predict future events
 - E) to change the reward system

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

18) Which of the following is an example of an intrinsic reward?

- A) participation in a stock option plan
- B) receiving a cash performance bonus
- C) being acknowledged for a job well done
- D) receiving an all expenses paid vacation as a bonus
- E) receiving a salary increase to keep up with inflation

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

19) Place the five steps in the decision-making process in the correct order:

A = Obtain information

B = Decide on and implement one of the alternatives

C = Identify the problem and uncertainties

D = Implement the decision, evaluate performance, and learn

E = Make predictions about the future

A) D, B, E, A, C

B) E, D, A, B, C

C) C, A, E, B, D

D) A, E, B, D, C

E) A, C, B, D, E

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

20) Collecting information to follow through on how actual performance compares to planned or budgeted performance is referred to as

- A) an accounting system.
- B) scorekeeping.
- C) management accounting.
- D) attention directing.
- E) problem solving.

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

21) Which of the following elements is contained within the Implement the Decision, Evaluate Performance, and Learn category in the Five-Step Decision-Making Process?

- A) Identify the problem and uncertainties.
- B) Obtain information.
- C) Make predictions about the future.
- D) Provide feedback.
- E) Make decisions by choosing among alternatives.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

22) _____ includes reporting and interpreting information that helps managers to focus on operating problems, imperfections, inefficiencies, and opportunities.

- A) Scorekeeping
- B) Control
- C) Problem-solving
- D) Planning
- E) Budgeting

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

23) Measuring and evaluating performance, and providing feedback are aspects of

- A) scorekeeping.
- B) information gathering.
- C) problem identification.
- D) record keeping.
- E) control.

Answer: E

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

24) Preparation of a monthly report comparing the actual phone bill with the expected phone costs would be classified as

- A) problem identification.
- B) learning.
- C) planning.
- D) control.
- E) information gathering.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

25) A report showing the actual financial results for a period compared to the budgeted financial results for that same period would most likely be called a

- A) strategic plan.
- B) management forecast.
- C) performance report.
- D) revised plan.
- E) comparative income statement.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

26) Control measures should

- A) be set and not changed until the next budget cycle.
- B) be flexible to allow for employees who are slackers.
- C) be kept confidential from employees so that competitors don't have an opportunity to gain a competitive advantage.
- D) be linked by feedback to planning.
- E) provide continuous feedback.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

27) Which of the following is an example of an extrinsic reward?

- A) thank you letter from someone outside the company
- B) the feeling of satisfaction from a job well done
- C) receiving employee of the month honours
- D) stock option plan
- E) an employee being thanked publicly by the company's president

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

28) For each type of report listed below, identify one planning decision and one control decision for which the information would be helpful.

Item:

- a. annual financial statements for the past three years
- b. report detailing sales by department by each hour of the day for the past week
- c. special study regarding increased road traffic due to the construction of a new shopping mall at a nearby intersection

Answer: Note that answers will vary, but may include the following:

a.

Planning: Decision by shareholder about whether to purchase more stock in the company.

Control: Decision by bank to determine if financial ratios maintained in the line-of-credit (LOC) agreement warrant increasing the LOC amount.

b.

Planning: Decisions regarding future staffing needs.

Control: Decision regarding whether the recent sales promotion led to an increase in revenue.

c.

Planning: Decision of the store manager about whether to change the types of retail items carried.

Control: Decision of the store manager regarding performance of the analyst that prepared the special study.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

29) List the Five-Step Decision-Making Process in order.

Answer:

1. Identify the problem and uncertainties.
2. Obtain information.
3. Make predictions about the future.
4. Decide on and implement one of the alternatives.
5. Implement the decision, evaluate performance, and learn.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-3

30) Explain how a budget can help management implement strategy.

Answer: A budget is a planning tool, a quantitative expression of a plan of action that is developed within the framework of the strategic plan. Executing the activities quantified in the budget is synonymous to executing the strategic plan. The budgeting process facilitates communication and coordination throughout the organization which is also necessary in the execution of the strategic plan.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

31) Jayhawk Basketballs manufactures and distributes rebounding equipment. The company is having a problem coordinating its marketing and production efforts. Every time marketing has a special promotion in a certain part of the country, production either cannot deliver the products or distribution has them in the wrong part of the country. In addition, the company has had several production stoppages due to insufficient raw material stock at the manufacturing plant.

Required:

In terms of the information system, what appears to be the main problems? What action can be taken to improve the situation?

Answer: The system does not provide timely, accurate, clear, or relevant information to management. Without this type of information, management cannot manage the physical activities of the organization. It is not able to make correct managerial and strategic decisions without proper information. It needs to set up an information system in which both marketing and production communicate directly with each other about all special marketing plans and production runs. The management accounting system should be involved in the production system anyway, and it could be the conduit to provide the interchange of information between production and marketing.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

32) Briefly explain the planning and control activities in management accounting. How are these two activities linked to each other?

Answer: Planning business operations relates to designing, producing, and marketing a product or service. This includes preparing budgets and determining the prices and cost of products and services. A company must know the cost of each product and service to decide which products to offer and whether to expand or discontinue product lines.

Controlling business operations includes comparing actual results to the budgeted results and taking corrective action when needed.

Feedback links planning and control. The control function provides information to assist in better future planning.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

33) Complete a performance report for the month of May, 2015, for the Daily Bulletin, a regional newspaper. Use four columns: 1) Actual Result; 2) Budgeted Amount; 3) Difference: Actual Result minus Budgeted Amount; 4) Difference as a Percentage of Budgeted Amount; AND, three rows: 1) advertising pages sold; 2) average rate per page; 3) advertising revenues. Use the following data:

Advertising pages sold	910
Budgeted advertising pages	900
Advertising revenue	\$4,368,000
Budget advertising revenue	\$4,410,000

Does the report indicate any cause for managerial investigation?

Answer: The performance report should look something like the following:

	Actual Result (1)	Budgeted Amount (2)	Difference (Actual Result - Budgeted Amount) (3) = (1) - (2)	Difference as a Percentage of Budgeted Amount (4) = (3)/(2)
Advertising pages sold	910 pages	900 pages	10 pages Favourable	1.1% Favourable
Average rate per page (Advertising Revenues)/(Ad vertising pages sold)	\$4,800	\$4,900	\$100 Unfavourable	2.0% Unfavourable
Advertising revenues	\$4,368,000	\$4,410,000	\$42,000 Unfavourable	1.0% Unfavourable

The overall 1% unfavourable difference in advertising revenue is caused by offsetting differences in advertising pages sold (favourable) and the average rate per page (unfavourable). The performance report highlights the unfavourable drop in the advertising rate per page. While the percentage drop in advertising revenue per page is not dramatic, management might want to investigate the reasons behind such a drop. Some possibilities include: aggressive price reductions to obtain revenue, a general drop in newspaper media spending, some aggressive competition, or an unrealistic budget.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Applying

Objective: LO 1-3

34) Complete a performance report for the month of February, 2016, for the Daily Mirror, a regional newspaper showing four columns: 1) Actual Result; 2) Budgeted Amount; 3) Difference: Actual Result minus Budgeted Amount; 4) Difference as a Percentage of Budgeted Amount; AND, three rows: 1) advertising pages sold; 2) average rate per page; 3) advertising revenues. Use the following data:

Actual pages sold	550
Budgeted advertising pages	500
Actual Advertising revenue	\$3,850,000
Budgeted Advertising revenue	\$4,000,000

Does the report indicate any cause for managerial investigation?

Answer: The performance report should look something like the following:

	Actual Result (1)	Budgeted Amount (2)	Difference (Actual Result - Budgeted Amount) (3) = (1) - (2)	Difference as a Percentage of Budgeted Amount (4) = (3)/(2)
Advertising pages sold	550 pages	500 pages	50 pages favourable	10.00% Favourable
Average rate per page (Advertising Revenues)/(Ad vertising pages sold)	\$7,000	\$8,000	\$1,000 Unfavourable	12.50% Unfavourable
Advertising revenues	\$3,850,000	\$4,000,000	\$150,000 Unfavourable	3.75% Unfavourable

The overall 3.75% unfavourable difference in advertising revenue is caused by offsetting differences in advertising pages sold (favourable) and the average rate per page (unfavourable). The performance report highlights the favorable increase in the advertising pages sold. While the percentage drop in advertising revenue per page is also dramatic, management might want to investigate the reasons behind such a drop. Some possibilities include: aggressive price reductions to obtain revenue, or some aggressive competition, or an unrealistic budget.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Applying

Objective: LO 1-3

Match each independent statement with the appropriate use of feedback.

- A) Changing reward systems.
- B) Changing how decision alternatives are identified.
- C) Changing goals.
- D) Changing the range of information collected in order to make predictions.
- E) Changing managers.
- F) Changing how the company operates.

35) Quality control activities have been moved from the end of the assembly line to critical points along the assembly line.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

36) Home office changes stock option plans.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

37) Jackson Company increases emphasis on cash flow rather than income, after prior liquidity problems lead to bankruptcy.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

38) The Economic Order Quantity (EOQ) and reorder points of the inventory system are being converted to automatic processing on the computer to increase the information for forecasting inventory demand.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

39) MLB Company contracts with an outside janitorial service rather than continuing with its own cleaning crew.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

40) AMB Company is adopting online meetings to identify which product lines to establish.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

41) Local Computer Company incorporates average inflation forecasts for wages when predicting future labour costs.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

42) Altec Company considers basing its marketing bonuses on the profitability of sales rather than on the dollar amount of sales.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

Answers: 35) F 36) A 37) C 38) D 39) F 40) B 41) D 42) A

For each of the independent activities give the aspect of the Five-Step Decision-Making Process that best describes what is being undertaken.

- A) Implement the decision, evaluate performance, and learn
- B) Identify the problem and uncertainties
- C) Make predictions about the future
- D) Decide on and implement one of the alternatives
- E) Obtain information

43) Preparing a report comparing actual and budgeted waste percentages from a chemical process in a herbicide plant.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

44) Changing the selling price of a product.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

45) Explaining the variances in Department 23's labour report.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

46) Evaluating a new environmental law.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

47) Estimate possible outcomes from outsourcing production to another country.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

48) Conduct a consumer survey.

Diff: 2 Type: MA

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-3

Answers: 43) A 44) D 45) A 46) B 47) C 48) E

4 Describe key guidelines management accountants follow and roles they assume to support management decisions.

1) The cost-benefit approach should be used to make resource allocation decisions.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

2) Line management exists to provide advice and assistance to staff departments.

Answer: FALSE

Explanation: Staff management provide advice and assistance to line management.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

3) The controller is also called the CFO.

Answer: FALSE

Explanation: The CFO is the senior financial officer.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

4) Line management is directly responsible for attaining the goals of the organization.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

5) A cost concept used for external reporting purposes may not be appropriate for internal, routine reporting to managers.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

6) Controllershship includes short- and long-term financing and investments, banking, cash management, foreign exchange, and derivatives management.

Answer: FALSE

Explanation: These are treasury functions.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

7) The method recommended for a management accountant in dealing with a resource allocation decision is

- A) management by exception.
- B) total value chain analysis.
- C) analysis based on feedback.
- D) the variance analysis approach.
- E) the cost-benefit approach.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

8) The primary criterion when faced with a resource allocation decision is

- A) cost minimization.
- B) reduction in the amount of time required to perform a particular job.
- C) achievement of organizational goals.
- D) how well the alternative options help achieve organizational goals in relation to the costs incurred.
- E) improving information flow.

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

9) Which of the following statements about the cost-benefit approach is TRUE?

- A) Resources should be spent if they are expected to better attain company goals in relation to the expected costs of these resources.
- B) In a cost-benefit analysis, both costs and benefits are easy to obtain.
- C) Resources should be spent if the costs of a decision outweigh the benefits of the decision.
- D) A cost-benefit approach would not be appropriate for a decision to install a budget system or not.
- E) The cost-benefit approach is more important than behavioural considerations.

Answer: A

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

- 10) An example of a staff management function would be
- A) determining that new equipment is required.
 - B) preparing operating cost estimates for proposed new equipment.
 - C) managing production.
 - D) ensuring that environmental standards are met.
 - E) being responsible for attaining a set level of plant income.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

- 11) The person(s) directly responsible for the attainment of organizational objectives is/are
- A) staff management.
 - B) line management.
 - C) both staff and line management.
 - D) the chief financial officer.
 - E) the internal auditor.

Answer: B

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

- 12) As teamwork has become more prominent in the last few years, the traditional distinctions between staff and line management
- A) has increased.
 - B) has become more important relative to promotions.
 - C) has diminished.
 - D) has only been evident in the employee reward system.
 - E) has become less clear cut in the employee reward system.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

13) The _____ is also called the chief financial officer.

- A) controller
- B) finance director
- C) internal auditor
- D) treasurer
- E) chief executive

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

14) Which of the following individuals focuses on reporting and interpreting relevant financial information used to manage the company?

- A) chief financial officer
- B) controller
- C) line management
- D) treasurer
- E) accounting manager

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

15) The person(s) responsible for providing advice and assistance to line managers is/are

- A) the controller.
- B) the chief financial officer.
- C) staff management.
- D) the treasurer.
- E) the president.

Answer: C

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

16) Staff management includes

- A) manufacturing managers.
- B) human-resource managers.
- C) purchasing managers.
- D) distribution managers.
- E) sales persons.

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

17) The _____ is primarily responsible for the quality of the information supplied in both internal and external reports.

- A) COO (Chief Operating Officer)
- B) CIO (Chief Information Officer)
- C) treasurer
- D) controller
- E) accountant

Answer: D

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

18) Controllershship includes responsibility for

- A) audit
- B) taxation
- C) treasury
- D) risk management
- E) profitability reporting

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

19) Discuss the cost-benefit approach guideline management accountants use to provide value in strategic decision making.

Answer: Management accountants continually face resource allocation decisions. The cost-benefit approach should be used in making these decisions. Resources should be spent if the expected benefits to the company exceed the expected costs. The expected benefits and costs may not be easy to quantify, but it is a useful approach for making resource allocation decisions.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

20) Discuss the potential behavioural implications of performance evaluation.

Answer: As measurements are made on operations and, especially, on individuals and groups, the behaviour of the individuals and groups are affected. People react to the measurements being made. They will focus on those variables or the behaviour being measured and spend less attention on variables and behaviour that are not measured. In addition, if managers attempt to introduce or redesign cost and performance measurement systems, people familiar with the previous system will resist. Management accountants must understand and anticipate the reactions of individuals to information and measurements. The design and introduction of new measurements and systems must be accompanied with an analysis of the likely reactions to the innovations.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

21) What areas of responsibility does a chief financial officer have in a typical organization?

Answer: The responsibilities vary among organizations, but generally include the following areas: controllership, treasury, risk management, taxation, investor relations, and internal audit.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-4

22) How does a controller help "control" a company?

Answer: By reporting and interpreting relevant data, the controller exerts a force or influence that impels management toward making better-informed decisions.

The controller of Caterpillar described the job as "a business advisor to ... help the team develop strategy and focus the team all the way through recommendations and implementation."

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-4

5 Distinguish among corporate governance, professional codes of conduct, ethics, and corporate social responsibility.

1) An accountant, as a member of a professional organization, must follow only those ethical requirements as are prescribed by the organization they belong to, such as the Chartered Professional Accountants of Canada.

Answer: FALSE

Explanation: Accountants are also bound by legislation and corporate codes of ethics.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

2) CPAs are required to follow the formal codes of ethical conduct provided by their professional association.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

3) Management accountants have important ethical responsibilities that are related to competence, duty of care, objectivity, and professionalism.

Answer: TRUE

Diff: 1 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

4) If a managerial accountant were not keeping up with current developments in managerial accounting, that behaviour might violate the enabling competency guideline of CPA ethical behaviour.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

5) Corporate social responsibility (CSR) is the legislated integration of social and environmental concerns into business decisions.

Answer: FALSE

Explanation: Corporate social responsibility (CSR) is the voluntary integration of social and environmental concerns into business decisions.

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

6) Sustainability accounting focuses on reporting both financial and nonfinancial information on activities that impact society, the environment, and the financial (or, economic) aspects of an organization's performance to an organization's stakeholders.

Answer: TRUE

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

7) The Global Reporting Initiative has developed and supports several frameworks, however, the most common form of sustainability accounting is the Balanced Scorecard.

Answer: FALSE

Explanation: The Global Reporting Initiative has developed and supports several frameworks, however, the most common form of sustainability accounting is the Triple Bottom-Line Approach (TBL).

Diff: 2 Type: TF

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

- 8) Corporate social responsibility is
- A) legislated by government and enforced by the courts.
 - B) the same as code of ethics passed by the board of governors of a company.
 - C) the mandatory integration by companies of social and environmental concerns into their business operation.
 - D) the voluntary integration by companies of social and environmental concerns into their business operation.
 - E) codified in international trade agreements.

Answer: D

Diff: 1 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

- 9) Which of the following would likely constitute a breach of ethics for a management accountant?
- A) to omit pertinent information from a report because it is personally unfavourable
 - B) to consider disclosing confidential information in order to further your own career
 - C) to consider disclosing confidential information (ie gained from a third party) in order to assist your employer/client
 - D) to report the unethical actions of another party, with the expectation that this will further your own career
 - E) to be disruptive in a meeting

Answer: A

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

- 10) Corporate governance
- A) relates to the role of the corporate governor.
 - B) comprises activities undertaken to ensure legal compliance with laws.
 - C) is legislated by the federal government.
 - D) relates only to the regulations provided by the Canadian Securities Administrators.
 - E) is a voluntary system of compliance approved by each company's board of directors.

Answer: B

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

11) An accountant that agrees with the company president to defer the recognition of an earned revenue is in a breach of which of the following dimensions of professional conduct?

- A) adherence to rules of professional conduct
- B) conduct that contravenes an act, the regulations, or the bylaws
- C) conduct that displays a lack of competence
- D) failure or refusal to co-operate in a practice review
- E) participating in a conflict of interest

Answer: A

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

12) Professional codes of conduct relating to the accounting profession

- A) supercede the provincial laws but not federal laws.
- B) are enforced by the solicitor general of the relevant province.
- C) specify penalties up to and including incarceration.
- D) are not enforceable as they are not actually laws.
- E) specify how professional accountants must behave.

Answer: E

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

13) For which of the following areas is a chief operating officer (COO) typically responsible?

- A) treasurer
- B) non-financial operating functions
- C) risk management
- D) taxation
- E) controllership

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

14) Which of the following is an example of the Integrative Analysis guideline from the CPA Guidelines for Ethical Behaviour?

- A) planning and identifying possible conflicts of interest
- B) having the requisite knowledge to perform certain tasks
- C) no ownership interest in an audit client
- D) scrutinizing ethical constraints to determine the best way forward
- E) providing advice on bank loan covenants

Answer: D

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

15) The purpose of the triple bottom line (TBL) approach is draw management's focus

- A) primarily to financial prosperity but also people and products.
- B) to environmental sustainability, economic prosperity, and social networking.
- C) to financial prosperity, but also to areas of environmental stewardship and protection, as well as adhering to the laws of the jurisdictions in which the company operates.
- D) to profit, people, and planet.
- E) to what is important to shareholders.

Answer: D

Explanation: The purpose of the TBL approach is draw management's focus to financial prosperity, but also to areas of environmental stewardship and protection, as well as the contribution the organization makes to the communities in which it operates and society in general.

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

16) Which of the following statements is TRUE regarding sustainability accounting?

- A) The Global Reporting Initiative (GRI) is a for profit organization established to develop guidelines so that "reporting on economic, environmental and social performance by all organizations is as routine and comparable as financial reporting."
- B) Statutory requirements describe the elements that must be included in reports based on sustainability accounting.
- C) Since 2002 it has been a criminal offence for the Chief Financial Officer to sign off on a report based on sustainability accounting that does not include a section on environmental management.
- D) Corporate Social Responsibility (CSR) is a subset of sustainability accounting.
- E) The trend to sustainability in reporting has emphasized value creation as well as risk mitigation in financial reports and management discussion and analysis of organizations.

Answer: E

Diff: 3 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

17) _____ focuses on reporting both financial and nonfinancial information on activities that impact society, the environment, and the financial (or, economic) aspects of an organization's performance to an organization's stakeholders.

- A) ASPE/IFRS
- B) Sustainability accounting
- C) Alternative reporting
- D) Triple bottom line
- E) Management accounting

Answer: B

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

18) Which of the following is an example of a reporting element of the social bottom line category in the triple bottom line approach?

- A) shareholder return
- B) emission reduction
- C) sustainable business practices
- D) benefits to stakeholders
- E) risk management

Answer: D

Diff: 2 Type: MC

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

19) A company may employ CPAs and other persons who are required to meet certain standards of professional conduct due to their membership in relevant professional organizations. These standards of conduct often include the areas of responsibility, competence, fairness and independence. However, holding only a few people responsible for sound professional conduct does not make a company behave ethically.

Required:

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

Answer: A company can begin by establishing its own code of professional ethics. This establishes the general value system that the organization wishes to apply to its employees' activities. A code communicates the organizational purposes and beliefs to employees and establishes uniform guidelines for all decision making. Because laws and rules cannot cover all situations, organizations can benefit from having an ethical code to provide guidance in situations which have unclear solutions. A code establishes standards against which individuals can measure their own performance. Finally, there needs to be clear ethical leadership from the top.

Diff: 2 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Remembering

Objective: LO 1-5

20) Define Corporate Social Responsibility (CSR), and describe why it is important for corporate profitability. In addition describe the elements of the CSR approach called the Triple Bottom Line (TBL).

Answer:

- a. Defined - Corporate social responsibility (CSR) is the voluntary integration of social and environmental concerns into business decisions.
- b. It is important because the actions of business need to be in-line with stakeholder values. For example, many multinational corporations refuse to do business with suppliers who endanger their workers or families. Consumers are increasingly unwilling to purchase products from companies that act in ways that are seen to negatively impact society and the environment.
- c. The triple bottom line consists of strategic goals concerning economic prosperity, environmental sustainability, and social equity (profit, planet, people).

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5

21) Define sustainability accounting and describe why this is an important area for management and cost accounting.

Answer: Sustainability accounting focuses on reporting both financial and nonfinancial information on activities that impact society, the environment, and the financial (or, economic) aspects of an organization's performance to an organization's stakeholders. This is an important area for management and cost accounting as its emphasis is on information and accounting used for internal decision making and strategy development.

Diff: 3 Type: ES

CPA Competencies: Chapter 1 -

3.1.1 Evaluates management information requirements,

3.1.2 Evaluates the types of information systems used and the role they play in an organization,

3.1.4 Identifies ethical and privacy issues related to information technology

Skill: Understanding

Objective: LO 1-5