

Management Accounting, 6e (Atkinson et al.)
Chapter 2 The Balanced Scorecard and Strategy Map

Objective 1

1) Database and information systems are physical assets which create distinctive value for companies.

Answer: FALSE

Explanation: Database and information systems are intangible assets

Diff: 1

Terms: database and information systems

Objective: 1

AACSB: Reflective thinking

2) The roles of performance measurement systems in organizations include all of the following EXCEPT:

A) motivate employees to help the organization achieve its strategic objectives.

B) help managers with resource allocation.

C) create value from intangible assets as well as their physical and financial assets.

D) communicate the company's strategic objectives.

Answer: C

Diff: 1

Terms: performance measurement systems

Objective: 1

AACSB: Reflective thinking

3) Many intangible assets:

A) do not appear on the balance sheet since it is difficult to place a reliable financial value on them.

B) should be evaluated with ROI and other performance measures.

C) can be measured and managed with current financial control systems.

D) are unimportant because they have no physical substance.

Answer: A

Diff: 2

Terms: intangible assets

Objective: 1

AACSB: Reflective thinking

4) Intangible assets that are currently reported on the balance sheet include:

- A) loyal and profitable customer relationships.
- B) organizational culture.
- C) employee skills and motivation.
- D) the cost of a patent giving exclusive rights to a process.

Answer: D

Diff: 1

Terms: intangible assets

Objective: 1

AACSB: Reflective thinking

5) The saying "what gets measured gets done" refers to measuring performance:

- A) so that appropriate disciplinary actions can be taken.
- B) to ensure that employees perform equally in all dimensions of their jobs.
- C) so that essential tasks get accomplished.
- D) to ensure that the ethical code of conduct is also being enforced.

Answer: C

Diff: 1

Terms: performance measurement

Objective: 1

AACSB: Reflective thinking

6) Give at least two examples of intangible assets. Are intangible assets critical for success? Explain.

Answer: Yes, business has moved from the industrial age into the information age where knowledge-based intangible assets create value and are critical for success. Examples include loyal and profitable customer relationships, high-quality processes, innovative products and services, employee skills and motivation, and database and information systems.

Diff: 2

Terms: intangible assets

Objective: 1

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.

Objective 2

1) The financial perspective addresses which processes must we excel at to meet our customer and shareholder expectations.

Answer: FALSE

Explanation: The learning and growth perspective addresses which processes must we excel at to meet our customer and shareholder expectations

Diff: 2

Terms: learning and growth perspective

Objective: 2

AACSB: Reflective thinking

2) The Balance Scorecard measures organizational performance across five different but linked perspectives.

Answer: FALSE

Explanation: The Balanced Scorecard (see Exhibit 2-3) measures organizational performance across four different but linked perspectives that are derived from the organization's mission, vision, and strategy.

Diff: 1

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

3) The learning and growth perspective addresses what employee capabilities, information systems, and organizational capabilities we need to continually improve.

Answer: TRUE

Diff: 1

Terms: learning and growth perspective

Objective: 2

AACSB: Reflective thinking

4) The customer perspective of the Balanced Scorecard focuses on excellence in processes which satisfy customers.

Answer: FALSE

Explanation: The process perspective of the Balanced Scorecard focuses on excellence in processes which satisfy customers

Diff: 2

Terms: process perspective

Objective: 2

AACSB: Reflective thinking

5) An important financial metric in the Balanced Scorecard is return on investment.

Answer: TRUE

Diff: 2

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

6) Important measures in the customer perspective usually include the percentage of repeat customers and growth in sales to existing customers.

Answer: TRUE

Diff: 2

Terms: customer perspective

Objective: 2

AACSB: Reflective thinking

7) The use of multiple-performance measures in the Balanced Scorecard would be expected to lead to all of the following EXCEPT:

A) more extensive use of financial measures such as cost and profit.

B) employees recognizing the various dimensions of their work.

C) the use of new performance measures such as customer satisfaction and employee morale.

D) group-level performance measures.

Answer: A

Diff: 1

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

8) The Balanced Scorecard's objectives are in balance when:

A) debits equal credits.

B) financial performance measurements are less than the majority of the performance measurements.

C) the measurements are fair.

D) the measurements reflect an improvement over the previous year.

Answer: B

Diff: 2

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

9) The Balanced Scorecard is said to be "balanced" because it measures:

A) short-term and long-term objectives.

B) financial and nonfinancial objectives.

C) internal and external objectives.

D) All of the above are correct.

Answer: B

Diff: 1

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

10) _____ translate(s) an organization's mission, vision, and strategy into a comprehensive set of performance measures that provide the framework for implementing its strategy.

- A) Critical success factors
- B) The value proposition
- C) Objectives
- D) The Balanced Scorecard

Answer: D

Diff: 1

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

11) The _____ perspective of the Balanced Scorecard asks, "How is success measured by our shareholders?"

- A) learning and growth
- B) customer
- C) financial
- D) shareholder

Answer: C

Diff: 2

Terms: financial perspective

Objective: 2

AACSB: Reflective thinking

12) The _____ perspective of the Balanced Scorecard focuses on creating value for customers.

- A) Value
- B) Financial
- C) Stakeholder
- D) Customer

Answer: D

Diff: 1

Terms: customer perspective

Objective: 2

AACSB: Reflective thinking

13) Measures of employees' skills and capabilities are included in the _____ perspective of the Balanced Scorecard.

- A) financial
- B) internal
- C) customer
- D) learning and growth perspective

Answer: D

Diff: 1

Terms: learning and growth perspective

Objective: 2

AACSB: Reflective thinking

14) A chain of cause-and-effect relationships that appropriately link the four balanced scorecard perspectives is:

A) a high return on investment causes customer loyalty that results in skilled production workers that improve process quality.

B) skilled production workers help to produce process quality that results in customer loyalty that helps to increase return on investment.

C) customer loyalty results in a high return on investment that results in the ability to attract skilled production workers that improve process quality.

D) improved process quality results in a high return on investment that causes customer loyalty that results in the ability to attract skilled production workers.

Answer: B

Diff: 2

Terms: balanced scorecard

Objective: 2

AACSB: Reflective thinking

15) Defect rates for products and yield percentages in manufacturing are measures of quality included in the _____ perspective of the Balanced Scorecard.

A) financial

B) production

C) process

D) internal

Answer: C

Diff: 2

Terms: process perspective

Objective: 2

AACSB: Reflective thinking

16) If a performance measure in the customer perspective of the Balanced Scorecard was customer loyalty, then a driver from the process perspective would MOST likely be:

A) implementing cutting-edge technology.

B) repeat sales.

C) high-quality production processes.

D) increased profits.

Answer: C

Diff: 2

Terms: customer perspective

Objective: 2

AACSB: Reflective thinking

17) If process perspective measure from the Balanced Scorecard was shorter cycle times, then a driver from the learning and growth perspective would MOST likely be to:

- A) lower cost of acquiring materials.
- B) achieve just-in-time supplier capability.
- C) offer a complete product line.
- D) expand product offerings.

Answer: B

Diff: 3

Terms: process perspective

Objective: 2

AACSB: Reflective thinking

18) What is the primary purpose of the Balanced Scorecard?

Answer: The primary purpose of the Balanced Scorecard is to translate an organization's vision, mission, and strategy into a set of performance measures that put that strategy into action with clearly-stated objectives, measures and target.

Diff: 3

Terms: balanced scorecard

Objective: 2

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.

Objective 3

1) A properly constructed Balanced Scorecard tells the story of a business unit's strategy.

Answer: TRUE

Diff: 1

Terms: balanced scorecard

Objective: 3

AACSB: Reflective thinking

2) Strategy creates a competitive advantage by positioning the company in its external environment where its internal resources and capabilities deliver something to its customers better than or different from its competitors.

Answer: TRUE

Diff: 1

Terms: strategy

Objective: 3

AACSB: Reflective thinking

3) Which of the following statements is true?

- A) Vision and mission statements set the general direction for the organization.
- B) Strategy is a concise, internally-focused statement of how the organization expects to compete and deliver value to customers.
- C) Mission is a concise, externally-focused statement that expresses how the organization wants to be perceived by the external world.
- D) Vision is about selecting the set of activities to create a sustainable difference in the marketplace.

Answer: A

Diff: 2

Terms: strategy

Objective: 3

AACSB: Reflective thinking

4) The purpose of the Balanced Scorecard is BEST described as helping an organization:

- A) develop customer relations.
- B) mobilize employee skills for continuous improvements in processing capabilities, quality, and response times.
- C) introduce innovative products and services desired by target customers.
- D) translate an organization's mission, vision, and strategy into a set of performance measures that help to implement the strategy.

Answer: D

Diff: 2

Terms: balanced scorecard

Objective: 3

AACSB: Reflective thinking

5) The FIRST step in developing strategic objectives for the Balanced Scorecard is:

- A) defining the long-run financial objectives.
- B) identifying the target customer.
- C) articulating the organization's vision.
- D) select objectives for the customer value proposition.

Answer: A

Diff: 2

Terms: strategy, objectives

Objective: 3

AACSB: Reflective thinking

Dakota Corporation plans to grow by offering a hand held application, the Pocket Analyst 2, which is superior and unique from the competition. Dakota believes that putting additional resources into R&D and staying ahead of the competition with technological innovations is critical to implementing its strategy.

6) Dakota's value proposition is:

- A) product innovation and leadership.
- B) lowest total cost.
- C) complete customer solutions.
- D) employees recognizing customer needs.

Answer: A

Diff: 3

Terms: value proposition

Objective: 3

AACSB: Reflective thinking

7) To further Dakota's strategy, measures on the Balanced Scorecard would MOST likely include:

- A) shorter cycle times.
- B) manufacturing quality.
- C) yield.
- D) lowest cost supplier.

Answer: B

Diff: 3

Terms: strategy

Objective: 3

AACSB: Reflective thinking

Splashdown Corporation manufactures water toys. It plans to grow by producing high-quality water slides at a low cost that are delivered in a timely manner. There are a number of other manufacturers who produce similar water slides. Splashdown believes that continuously improving its manufacturing processes and having satisfied employees are critical to implementing its strategy.

8) Splashdown's value proposition is:

- A) product innovation and leadership.
- B) complete customer solutions.
- C) employees recognizing customer needs.
- D) lowest total cost.

Answer: D

Diff: 3

Terms: value proposition

Objective: 3

AACSB: Reflective thinking

9) To further the company's strategy, measures on the balanced scorecard would MOST likely include:

- A) number of process improvements.
- B) first to market.
- C) longer cycle times.
- D) number of new products.

Answer: A

Diff: 3

Terms: strategy

Objective: 3

AACSB: Reflective thinking

Objective 4

1) Once the company selects and defines its objectives for the four BSC perspectives, it can select measures for each objective.

Answer: TRUE

Diff: 2

Terms: balanced scorecard

Objective: 4

AACSB: Reflective thinking

2) To create the Balanced Scorecard, first measures are identified and then translated into objectives.

Answer: FALSE

Explanation: A company should start its process of building a Balanced Scorecard by developing word statements of strategic objectives that describe what it is attempting to accomplish with its strategy.

Diff: 2

Terms: balanced scorecard

Objective: 4

AACSB: Reflective thinking

3) The focus of the learning and growth perspective of the Balanced Scorecard includes employee capabilities that continually improve customer relationships.

Answer: TRUE

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

4) _____ are the basic, day-to-day processes that produce products and services and deliver them to customers.

- A) Measures
- B) The value proposition
- C) Operations management processes
- D) The balanced scorecard

Answer: C

Diff: 2

Terms: operations management processes

Objective: 4

AACSB: Reflective thinking

5) Identify the BEST description of the Balanced Scorecard's customer perspective. To achieve our firm's vision and strategy:

- A) How do we lower costs?
- B) How do we motivate employees?
- C) How can we obtain greater profits?
- D) How does the company intend to attract, retain, and deepen relationships with targeted customers by differentiating itself from competitors?

Answer: D

Diff: 2

Terms: customer perspective

Objective: 4

AACSB: Reflective thinking

6) All of the following questions relate to the Balanced Scorecard's learning and growth perspective EXCEPT:

- A) How do we achieve greater employee satisfaction?
- B) How do we increase profits and return on capital?
- C) How do we provide information systems with updated technology?
- D) How will we sustain our ability to change and improve?

Answer: B

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

7) Identify the BEST description of the Balanced Scorecard's learning and growth perspective.

To achieve our firm's vision and strategy:

A) How do we obtain a greater market share?

B) What do our noncustomers consider to be most important?

C) What new processes do our customers value?

D) How do we identify the objectives for the people, information technology, and organizational alignment that will drive improvement in the various process objectives?

Answer: D

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

8) The return-on-investment ratio is an example of a Balanced Scorecard's measure of the:

A) internal perspective.

B) customer perspective.

C) learning and growth perspective.

D) financial perspective.

Answer: D

Diff: 2

Terms: return on investment ratio, financial perspective

Objective: 4

AACSB: Reflective thinking

9) The number of customer complaints about a product is an example of a Balanced Scorecard's measure of the:

A) process perspective.

B) customer perspective.

C) learning and growth perspective.

D) financial perspective.

Answer: B

Diff: 2

Terms: customer perspective

Objective: 4

AACSB: Reflective thinking

10) Manufacturing cycle efficiency is an example of a Balanced Scorecard's measure of the:

A) process perspective.

B) customer perspective.

C) learning and growth perspective.

D) financial perspective.

Answer: A

Diff: 2

Terms: process perspective

Objective: 4

AACSB: Reflective thinking

11) Surveys of employees' satisfaction is an example of a Balanced Scorecard's measure of the:

- A) process perspective.
- B) customer perspective.
- C) learning and growth perspective.
- D) financial perspective.

Answer: C

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

12) Measures of the Balanced Scorecard's learning and growth perspective include:

- A) number of environmental and safety incidents.
- B) number of on-time deliveries.
- C) number of process improvements.
- D) revenue growth.

Answer: A

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

13) In the Balanced Scorecard, operating income and return on investment

- A) indicate whether the company's strategy and its implementation are increasing shareholders' value.
- B) are learning and growth measures.
- C) are more important process measures than market share.
- D) are direct measures of customer satisfaction.

Answer: A

Diff: 2

Terms: strategy, balanced scorecard

Objective: 4

AACSB: Reflective thinking

14) It is useful to think of the process perspective of the Balanced Scorecard within four groupings that include all of the following EXCEPT:

- A) operating management processes.
- B) customer management processes.
- C) innovation processes.
- D) regulatory and social processes.

Answer: B

Diff: 2

Terms: customer management processes

Objective: 4

AACSB: Reflective thinking

15) Managers for the learning and growth perspective of the Balanced Scorecard must invest in all of the following EXCEPT:

- A) improve asset utilization.
- B) improving the skills of their employees.
- C) enhancing information technology and systems.
- D) aligning employees to the company's objectives.

Answer: A

Diff: 2

Terms: learning and growth perspective

Objective: 4

AACSB: Reflective thinking

16) Grapevine Corporation plans to grow by offering a cellular phone model, the QWERTY Touch Screen, which is superior and unique from the competition. Grapevine believes that putting additional resources into R&D and staying ahead of the competition with technological innovations are critical to implementing its strategy.

Required:

a. Is Grapevine's strategy one of product innovation and leadership, lowest total cost, or complete customer solutions? Briefly explain.

Identify at least one key element that you would expect to see included in the Balanced Scorecard:

- b. for the financial perspective;
- c. for the customer perspective;
- d. for the process perspective; and
- e. for the learning and growth perspective.

Answer: a. Grapevine's strategy is one of product innovation and leadership because the company plans to offer a product that is superior and unique from the competition.

The company's Balanced Scorecard should describe the product innovation and leadership strategy. Key elements should include:

- b. operating income growth from charging higher prices for QWERTY Touch Screen for the financial perspective;
- c. market share in the cellular phone market, customer satisfaction, and number of new customers for the customer perspective;
- d. manufacturing quality, new product features added, and order delivery time for the process perspective; and
- e. improvements in manufacturing technologies, employee education and skill levels, and employee satisfaction for the learning and growth perspective.

Diff: 3

Terms: balanced scorecard

Objective: 2, 3, 4

AACSB: Analytical skills

17) Sports Fanatic Corporation manufactures college football banners. It plans to grow by producing high-quality college football banners at a low cost that are delivered in a timely manner. There are a number of other manufacturers who produce similar college football banners. Sports Fanatic believes that continuously improving its manufacturing processes and having satisfied employees are critical to implementing its strategy.

Required:

a. Is Sports Fanatic's strategy one of product innovation and leadership, lowest total cost, or complete customer solutions? Briefly explain.

Identify at least one key element that you would expect to see included in the Balanced Scorecard:

- b. for the financial perspective;
- c. for the customer perspective;
- d. for the process perspective; and
- e. for the learning and growth perspective.

Answer:

a. Sports Fanatic's strategy is one of lowest total cost because there are a number of other manufacturers who produce similar college banners. To succeed, Sports Fanatic will have to achieve lower costs relative to competitors through productivity and efficiency improvements, elimination of waste, and tight cost controls.

The company's Balanced Scorecard should describe the lowest total cost strategy. Key elements should include:

- b. operating income growth from productivity gains and revenue growth for the financial perspective;
- c. growth in market share, new customers, customer responsiveness, and customer satisfaction for the customer perspective;
- d. yield, time to complete customer jobs, and order delivery time for the process perspective; and
- e. hours of employee training, and employee satisfaction for the learning and growth perspective.

Diff: 3

Terms: balanced scorecard

Objective: 2, 3, 4

AACSB: Analytical skills

Objective 5

1) _____ describe(s) specifically how success in achieving objectives in a Balanced Scorecard is determined.

- A) Measures
- B) The value proposition
- C) Targets
- D) The Balanced Scorecard

Answer: A

Diff: 2

Terms: measures

Objective: 5

AACSB: Reflective thinking

2) _____ establish the level of performance or rate of improvement required for a measure in the Balanced Scorecard.

- A) Critical success factors
- B) The value proposition
- C) The Balanced Scorecard
- D) Targets

Answer: D

Diff: 2

Terms: targets

Objective: 5

AACSB: Reflective thinking

3) _____ are generally written as action phrases and may also include the means and desired results.

- A) Mission statements
- B) Objectives
- C) Targets
- D) Strategies

Answer: B

Diff: 2

Terms: objectives

Objective: 5

AACSB: Reflective thinking

4) The following statements are true regarding the customer perspective in the Balanced Scorecard EXCEPT:

- A) Customer satisfaction leads to customer retention
- B) A customer target might be to reduce cash expenses by 3%.
- C) Customer retention generally leads to increased customer profitability
- D) Success in the customer perspective should lead to improvement in the financial perspective.

Answer: B

Diff: 2

Terms: targets

Objective: 5

AACSB: Reflective thinking

5) Draw a strategy map that identifies the cause-and-effect linkages of the following objectives:

Process quality

Customer loyalty

Skilled production workers

Return on investment

Answer: Skilled production workers → Process quality → Customer loyalty → Return on investment

Diff: 1

Terms: strategy map

Objective: 5

AACSB: Analytical skills

6) Draw a strategy map that identifies the cause-and-effect linkages of the following objectives:

Market share

Strategic technology availability

Grow revenues

Design and develop new products

Answer: Strategic technology availability → Design and develop new products → Market share → Grow revenues

Diff: 1

Terms: strategy map

Objective: 5

AACSB: Analytical skills

7) What are the four key perspectives in the Balanced Scorecard? In a strategy map, what are the cause-and effect linkages among these four perspectives?

Answer: The four key perspectives in the Balanced Scorecard are:

Diff: 3

Terms: balanced scorecard

Objective: 3, 5

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.

Objective 6

1) Nonprofit and government organizations success must be measured by their effectiveness in providing benefits to constituents.

Answer: TRUE

Diff: 2

Terms: government and nonprofit organizations

Objective: 6

AACSB: Reflective thinking

2) Outcomes, rather than activities, primarily drive the strategy of nonprofit and government organizations.

Answer: TRUE

Diff: 1

Terms: government and nonprofit organizations, strategy

Objective: 6

AACSB: Reflective thinking

3) Nonprofit and government organizations generally place an objective related to their social impact and mission at the top of their scorecard and strategy map.

Answer: TRUE

Diff: 2

Terms: government and nonprofit organizations, strategy, objectives

Objective: 6

AACSB: Reflective thinking

4) Nonprofit and government organizations:

A) cannot use the Balanced Scorecard because they have no customers.

B) cannot use the Balanced Scorecard because they have no financial objective.

C) may use the Balanced Scorecard by adding a social impact perspective to the top of the strategy map.

D) may use the Balanced Scorecard by not linking it to mission and strategy.

Answer: C

Diff: 2

Terms: balanced scorecard, government and nonprofit organizations

Objective: 6

AACSB: Reflective thinking

5) Success for nonprofit and government organizations is measured primarily by:

- A) their financial performance.
- B) their effectiveness in providing benefits to constituents.
- C) whether they can raise money.
- D) whether they can balance their budgets.

Answer: B

Diff: 2

Terms: government and nonprofit organizations

Objective: 6

AACSB: Reflective thinking

6) To effectively use the Balanced Scorecard, nonprofit and government organizations:

- A) must identify a clear strategy with outcomes identified.
- B) must focus on financial success as their primary objective.
- C) must shift thinking from what it plans to accomplish to what it plans to do.
- D) These organizations cannot effectively use the Balanced Scorecard.

Answer: A

Diff: 2

Terms: strategy, government and nonprofit organizations

Objective: 6

AACSB: Reflective thinking

7) Critical dimensions of the regulatory and social performance from the process perspective of the Balanced Scorecard include all of the following EXCEPT:

- A) community investment.
- B) health and safety.
- C) the environment.
- D) All of the above are correct.

Answer: D

Diff: 2

Terms: balanced scorecard, regulatory and social processes

Objective: 6

AACSB: Reflective thinking

8) How does a Balanced Scorecard for nonprofit and government agencies differ from a for-profit scorecard?

Answer: The organization's mission drives the nonprofit and government agency's Balanced Scorecard, whereas the financial perspective objectives drive the for-profit Balanced Scorecard. The for-profit must satisfy customers, while the nonprofit and government agency must satisfy funders and recipients.

Diff: 3

Terms: balanced scorecard, regulatory and social processes

Objective: 6

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.

Objective 7

1) CEOs and senior leadership can effectively implement a company's strategy by themselves.

Answer: FALSE

Explanation: CEOs and senior leadership can effectively implement a company's strategy by involving all levels of the organization.

Diff: 1

Terms: strategy

Objective: 7

AACSB: Reflective thinking

2) Key performance indicator scorecards will typically use common measures, such as customer satisfaction, process quality, cost, and employee satisfaction and morale,.

Answer: TRUE

Diff: 2

Terms: key performance indicator scorecard

Objective: 7

AACSB: Reflective thinking

3) If the link to strategy is not clearly established, key performance indicator cards will lead to local but not to global or strategic improvements.

Answer: TRUE

Diff: 2

Terms: key performance indicator scorecard

Objective: 7

AACSB: Reflective thinking

4) Poor scorecard design, rather than a poor organizational process, is the biggest threat to successful Balanced Scorecard implementation.

Answer: FALSE

Explanation: Poor organizational process, is the biggest threat to successful Balanced Scorecard implementation.

Diff: 1

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

5) If a Balanced Scorecard's implementation team is really committed, they can initially develop the perfect scorecard.

Answer: FALSE

Explanation: There is no perfect scorecard. The balanced scorecard is adapted to each organization and is changed over time as necessary.

Diff: 1

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

6) The measurement of the objectives for the Balanced Scorecard:

- A) creates focus for the future.
- B) communicates an important message to all employees.
- C) focuses the entire organization on strategic implementation of company's outcomes.
- D) All of the above are correct.

Answer: D

Diff: 2

Terms: measurement, objectives

Objective: 7

AACSB: Reflective thinking

7) Translating a company's strategy to operational terms:

- A) is an analytical exercise.
- B) results in the benefit of having the end product of the balanced scorecard.
- C) often results in team building and employees' commitment to the new strategy.
- D) All of the above are correct.

Answer: D

Diff: 2

Terms: strategy, objectives

Objective: 7

AACSB: Reflective thinking

8) Which of the following statements regarding aligning the organization to strategic objectives is true?

- A) Measures of individual business units must add up to the corporate measure, just like aggregating financial measures.
- B) Support functions and shared units are exempt from the Balanced Scorecard's process perspective since they have no external customer.
- C) High-level strategic objectives on the corporate balanced scorecard guide the development of Balanced Scorecards for the decentralized operating units.
- D) All of the above are correct.

Answer: C

Diff: 2

Terms: strategy, objectives

Objective: 7

AACSB: Reflective thinking

- 9) Which of the following statements regarding the use of strategy in companies is correct?
- A) All employees are challenged to develop individual personal objectives that support corporate objectives.
 - B) CEOs and senior leadership can implement a company's strategy by themselves.
 - C) It is safe to assume that the workforce is incapable of understanding these concepts and ideas.
 - D) All of the above are correct.

Answer: A

Diff: 2

Terms: strategy, objectives

Objective: 7

AACSB: Reflective thinking

10) To become a strategy-focused organization:

- A) monthly management meetings should focus on variances between actual performance and what was planned.
- B) the budgeting process must protect long-term initiatives from the pressures to deliver short-term performance.
- C) scorecards and priorities should be updated annually when preparing next year's budget.
- D) All of the above are correct.

Answer: B

Diff: 2

Terms: strategy

Objective: 7

AACSB: Reflective thinking

11) Problems may arise when developing a Balanced Scorecard for all of the following reasons EXCEPT:

- A) poor organizational process for development and implementation of the Balanced Scorecard.
- B) too few scorecard measures.
- C) senior executives share the strategy and Scorecard with middle managers and employees on the front line.
- D) none of the above

Answer: C

Diff: 2

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

12) Key performance indicator cards are scorecards that are developed:

- A) with only a single measure for each of the Balanced Scorecard's perspectives.
- B) without working from organizational strategy.
- C) to be more effective than the balanced scorecard.
- D) to define the compensation system for executives.

Answer: B

Diff: 2

Terms: key performance indicator cards

Objective: 7

AACSB: Reflective thinking

13) Key performance indicator cards:

- A) lead to local but not global or strategic improvements if they are not linked to strategy.
- B) include only financial measures.
- C) are organized into ten perspectives.
- D) measure only a single Balanced Scorecard perspective.

Answer: A

Diff: 2

Terms: key performance indicator cards

Objective: 7

AACSB: Reflective thinking

14) The greatest threat to successful Balanced Scorecard implementation is:

- A) poor scorecard design.
- B) a poor organizational process for development and implementation.
- C) too few scorecard measures.
- D) too many financial perspective measures.

Answer: B

Diff: 2

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

15) Using too few balanced scorecard measures:

- A) will not balance desired outcomes with performance drivers of those outcomes.
- B) is better than using too many scorecard measures.
- C) results in a lack of linkage between drivers in the process and learning and growth perspectives
- D) All of the above are correct.

Answer: A

Diff: 2

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

16) Successful implementation of the Balanced Scorecard:

- A) may be completed by one important member of the senior management team, such as the chief financial officer.
- B) involves everyone in the organization knowing and understanding the strategy.
- C) should not begin until data are collected for all scorecard measures.
- D) starts with a process to acquire a new data collection system.

Answer: B

Diff: 2

Terms: balanced scorecard

Objective: 7

AACSB: Reflective thinking

17) What is the key ingredient to successful Balanced Scorecard implementation? Explain.

Answer: The key ingredient to successful Balanced Scorecard implementation is to actively involve senior management.

Only senior management understands the strategy of the whole organization and is empowered to make the necessary decisions. Their involvement also builds emotional commitment that is as important as their knowledge and authority.

Diff: 3

Terms: balanced scorecard, strategy

Objective: 7

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.

18) What is a key performance indicator scorecard and how does it differ from the Balanced Scorecard? Which is more effective?

Answer: The Balanced Scorecard translates an organization's strategy into a set of performance measures that put that strategy into action with clearly-stated objectives, whereas the key performance indicator scorecard does not link the performance indicators to a strategy. The Balanced Scorecard is more effective because it links to the performance measures to a company's strategy.

Diff: 3

Terms: balanced scorecard, key performance indicator scorecard

Objective: 7

AACSB: Analytical skills

MAL: This question is not available in MyAccountingLab.