

# Chapter 1

*Student:* \_\_\_\_\_

1. Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations?
  - A. Strategy formulation.
  - B. Directing and motivating.
  - C. Planning.
  - D. Budgeting.
  
2. Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations?
  - A. Controlling.
  - B. Directing.
  - C. Planning.
  - D. Motivating.
  
3. Budgeting is part of which of the following activities managers perform in organizations?
  - A. Controlling.
  - B. Directing.
  - C. Planning.
  - D. Motivating.

4. Obtaining feedback is generally identified most directly with which of these functions of management?

- A. Planning.
- B. Directing and motivating.
- C. Controlling.
- D. Decision making.

5. Which of the following best describes the role of a staff position in an organization?

- A. It relates directly to the carrying out of the basic objectives of the organization.
- B. It is supportive in nature, providing service and assistance to other parts of the organization.
- C. It is superior in authority to a line position.
- D. It receives assistance from other parts of organization It relates directly to achieve the basic objectives of organization embedded in them and it is superior in authority to a line position.

6. Which of the following positions does the controller occupy in an organization?

- A. A line position.
- B. A staff position.
- C. Neither a line nor a staff position, since the accounting department must be independent.
- D. Both a line and a staff position.

7. Which of the following best describes the function of managerial accounting within an organization?
- A. It has its primary emphasis on the future.
  - B. It is required by regulatory bodies such as the Ontario Securities Commission.
  - C. It focuses on the organization as a whole, rather than on the organization's segments.
  - D. It places more emphasis on precision of data than financial accounting does.
8. Upon which of the following does managerial accounting place considerable weight?
- A. Generally accepted accounting principles.
  - B. The financial history of the entity.
  - C. Ensuring that all transactions are properly recorded.
  - D. Detailed segment reports about departments, products, and customers.
9. For internal uses, managers are more concerned with receiving information that achieves which of the following standards?
- A. Completely objective and verifiable.
  - B. Completely accurate and precise.
  - C. Relevant, flexible, and timely.
  - D. Relevant, completely accurate, and precise.

10. Which of the following would be an example of a performance report?
- A. An income statement reporting actual results for the past month.
  - B. An income statement showing the amounts budgeted for the past month.
  - C. A balance sheet showing the actual financial position at the end of the past month.
  - D. A production report showing budgeted and actual production for the past month.
11. Which of the following is **NOT** one of the three major customer value propositions discussed in the text?
- A. Customer intimacy
  - B. Discount pricing
  - C. Operational excellence
  - D. Product leadership
12. Which of the following is **NOT** a topic relating to managing and improving business processes?
- A. Lean Production.
  - B. Corporate Governance.
  - C. Enterprise Systems.
  - D. Risk Management.

13. The delegation of decision making throughout an organization by providing managers at various operating levels with the authority to make key decisions relating to their area of responsibility is which of the following?

- A. Risk management.
- B. Corporate social responsibility.
- C. Decentralization.
- D. A staff position.

14. Which one of the following is **NOT** an activity in the planning and control cycle?

- A. Comparing actual to planned performance.
- B. Raw materials are released to production far in advance of being needed to ensure no interruptions in work flows due to shortages of raw materials.
- C. Formulating long and short-term plans.
- D. Measuring performance.

15. Which of the following is **NOT** an example of a business risk?

- A. Products harming customers.
- B. A website malfunctioning.
- C. A customer value proposition.
- D. An employee accessing unauthorized information.

16. All three major professional accounting groups in Canada require their members to undertake professional development and/or continuing education. This practice is intended to directly satisfy which of these rules of ethical conduct in line with other code of ethics?
- A. Integrity.
  - B. Objectivity.
  - C. Competence.
  - D. Confidentiality.
17. Samantha Galloway is a managerial accountant in the accounting department of Mustang Industries, Inc. Samantha has just discovered evidence that some of the corporation's marketing managers have been wrongfully inflating their expense reports in order to obtain higher reimbursements from the firm. According to the Institute of Management Accountants' Standards of Ethical Conduct, what should Samantha do upon discovering this evidence?
- A. Notify the controller.
  - B. Notify the marketing managers involved.
  - C. Notify the president of the corporation.
  - D. Ignore the evidence because she is not part of the Marketing Department.
18. Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting:
- A. emphasizes financial consequences of past activities.
  - B. emphasizes precision.
  - C. emphasizes relevance.
  - D. must follow GAAP.

19. After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system as a component of the lean thinking model. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labour hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch?

- A. 370
- B. 400
- C. 430
- D. 470

20. Which of the following facets of the lean thinking model is often called just-in-time production?

- A. Identify value in specific products/services.
- B. Identify the business process that delivers value.
- C. Create a pull system that responds to customer orders.
- D. Organize work arrangements around the flow of the business process.

21. Which of the following groups should be the focal point of a company's strategy?

- A. Employees
- B. Board of directors
- C. Shareholders
- D. Target customers

22. The purpose of IFRS is:

- A. To encourage Strategic planning.
- B. To enhance the comparability and clarity of financial information on a global basis.
- C. To encourage disclosure of Non-Financial data.
- D. To change how management accountants prepare reports.

23. In Canada, the manager in charge of the Accounting Department is usually known as the:

- A. CFO
- B. Controller
- C. Vice-President Operations
- D. President

24. Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate governance?

- A. Customers
- B. Creditors
- C. Shareholders
- D. Suppliers

25. An important part of planning is to identify alternatives and then to select from among the alternatives the one that best meets the organization's objectives.

True    False



26. The controller occupies a staff position in an organization.

True False

27. Persons occupying staff positions provide support and assistance to other parts of the organization.

True False

28. Informal relationships and channels of communication often develop that do not appear on the organization chart.

True False

29. Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does.

True False

30. Managerial accounting is **NOT** governed by generally accepted accounting principles (GAAP).

True False

31. In general, accounting data serve both financial accounting and managerial accounting purposes.

True False

32. Top management make most of the decisions in decentralized organizations.

True False

33. Managerial accounting plays a critical role in providing information to management to facilitate implementing and monitoring strategy.

True False

34. Business codes of ethics prescribe minimum acceptable behaviours for all employees **except** employees belonging to one of the three major professional accounting groups in Canada.

True False

35. Emphasis on the future is given equal weight by both managerial accounting and financial accounting.

True False

36. A strategy is a game plan that enables a company to attract customers by distinguishing itself from competitors.

True False

37. Both the controller and CFO are staff positions.

True False

38. A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products.

True False

39. Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership.

True False

40. Companies that adopt a customer intimacy strategy are in essence saying to their target customers, "The reason you should choose us is because we understand and respond to your individual needs better than our competitors."

True False

41. Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us rather than our competitors because we strive for zero defects."

True False

42. Corporate governance is the legal framework that allows managers to control and direct lower-level workers on the job.

True False

43. A value chain consists of the major business functions that add value to the company's products and services.

True False

44. Managerial accounting is not mandatory.

True False

45. Many customers seek to purchase products and services from socially responsible companies.

True False

46. Lean production is often called just-in-time production.

True False

47. You have recently been hired by a manufacturing company. Two days ago, you met with the top management of the company to discuss future strategies for the firm. During the meeting, the president of the company expressed concern about the profitability of the company and the company's ability to compete effectively in the future. You responded to the president's concerns by mentioning some articles you had read in professional accounting journals regarding the lean thinking model. The president responded to your comments by saying that although the lean thinking model sounded interesting, no one in the company was knowledgeable about it. The president then requested that you prepare a brief summary of the lean thinking model for the next strategic planning meeting.

Required:

- a. Describe the lean thinking model and how it differs from traditional manufacturing methods
- b. List some of the benefits of the lean thinking model.

48. How much it costs a company to manufacture a particular product is one of the many questions that reports typically provided by managerial accountants help to answer.

Required:

Comment on the usefulness of a unit product cost information in the preparation of a set of financial statements?

49. Provide three examples of common business risks faced by companies.

# Chapter 1 Key

1. Day-to-day decision making is most common to which of the following activities managers are expected to carry on in organizations?

- A. Strategy formulation.
- B.** Directing and motivating.
- C. Planning.
- D. Budgeting.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #1*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

2. Identifying alternatives and selecting the best among them is part of which of the following activities which managers carry on in organizations?

- A. Controlling.
- B. Directing.
- C.** Planning.
- D. Motivating.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #2*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-01 Planning.*

3. Budgeting is part of which of the following activities managers perform in organizations?

- A. Controlling.
- B. Directing.
- C. Planning.
- D. Motivating.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #3*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-01 Planning.*

4. Obtaining feedback is generally identified most directly with which of these functions of management?

- A. Planning.
- B. Directing and motivating.
- C. Controlling.
- D. Decision making.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #4*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-03 Controlling.*

5. Which of the following best describes the role of a staff position in an organization?
- A. It relates directly to the carrying out of the basic objectives of the organization.
  - B. It is supportive in nature, providing service and assistance to other parts of the organization.
  - C. It is superior in authority to a line position.
  - D. It receives assistance from other parts of organization It relates directly to achieve the basic objectives of organization embedded in them and it is superior in authority to a line position.

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #5*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-14 Line and Staff Relationships.*

6. Which of the following positions does the controller occupy in an organization?

- A. A line position.
- B. A staff position.
- C. Neither a line nor a staff position, since the accounting department must be independent.
- D. Both a line and a staff position.

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #6*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-14 Line and Staff Relationships.*

*Topic: 01-15 The Controller.*



7. Which of the following best describes the function of managerial accounting within an organization?

- A. It has its primary emphasis on the future.
- B. It is required by regulatory bodies such as the Ontario Securities Commission.
- C. It focuses on the organization as a whole, rather than on the organization's segments.
- D. It places more emphasis on precision of data than financial accounting does.

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #7*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-07 Emphasis on the Future.*

8. Upon which of the following does managerial accounting place considerable weight?

- A. Generally accepted accounting principles.
- B. The financial history of the entity.
- C. Ensuring that all transactions are properly recorded.
- D. Detailed segment reports about departments, products, and customers.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #6*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-10 Segments of an Organization.*

9. For internal uses, managers are more concerned with receiving information that achieves which of the following standards?

- A. Completely objective and verifiable.
- B. Completely accurate and precise.
- C. Relevant, flexible, and timely.
- D. Relevant, completely accurate, and precise.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #5*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-08 Relevance of Data.*

10. Which of the following would be an example of a performance report?

- A. An income statement reporting actual results for the past month.
- B. An income statement showing the amounts budgeted for the past month.
- C. A balance sheet showing the actual financial position at the end of the past month.
- D. A production report showing budgeted and actual production for the past month.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Hard*

*Garrison - Chapter 01 #10*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-03 Controlling.*

11. Which of the following is **NOT** one of the three major customer value propositions discussed in the text?

- A. Customer intimacy
- B. Discount pricing
- C. Operational excellence
- D. Product leadership

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #11*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

12. Which of the following is **NOT** a topic relating to managing and improving business processes?

- A. Lean Production.
- B. Corporate Governance.
- C. Enterprise Systems.
- D. Risk Management.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #12*

*Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.*

*Topic: 01-16 Lean Production.*

*Topic: 01-17 Enterprise Systems.*

*Topic: 01-18 Risk Management.*

13. The delegation of decision making throughout an organization by providing managers at various operating levels with the authority to make key decisions relating to their area of responsibility is which of the following?

- A. Risk management.
- B. Corporate social responsibility.
- C. Decentralization.
- D. A staff position.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Hard*

*Garrison - Chapter 01 #13*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-13 Decentralization.*

14. Which one of the following is **NOT** an activity in the planning and control cycle?

- A. Comparing actual to planned performance.
- B. Raw materials are released to production far in advance of being needed to ensure no interruptions in work flows due to shortages of raw materials.
- C. Formulating long and short-term plans.
- D. Measuring performance.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #14*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-04 Decision Making.*

*Topic: 01-05 The Planning and Control Cycle.*

15. Which of the following is **NOT** an example of a business risk?

- A. Products harming customers.
- B. A website malfunctioning.
- C. A customer value proposition.
- D. An employee accessing unauthorized information.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #15*

*Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.*

*Topic: 01-19 Identifying and Controlling Business Risks.*

16. All three major professional accounting groups in Canada require their members to undertake professional development and/or continuing education. This practice is intended to directly satisfy which of these rules of ethical conduct in line with other code of ethics?

- A. Integrity.
- B. Objectivity.
- C. Competence.
- D. Confidentiality.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #16*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-20 Corporate Governance.*

*Topic: 01-21 Corporate Social Responsibility.*

17. Samantha Galloway is a managerial accountant in the accounting department of Mustang Industries, Inc. Samantha has just discovered evidence that some of the corporation's marketing managers have been wrongfully inflating their expense reports in order to obtain higher reimbursements from the firm. According to the Institute of Management Accountants' Standards of Ethical Conduct, what should Samantha do upon discovering this evidence?

- A. Notify the controller.
- B. Notify the marketing managers involved.
- C. Notify the president of the corporation.
- D. Ignore the evidence because she is not part of the Marketing Department.

*Accessibility: Keyboard Navigation*

*Bloom's: Apply*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Hard*

*Garrison - Chapter 01 #17*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-20 Corporate Governance.*

*Topic: 01-21 Corporate Social Responsibility.*

18. Both financial and managerial accounting rely on the same underlying financial data but there are major differences. Managerial Accounting:

- A. emphasizes financial consequences of past activities.
- B. emphasizes precision.
- C. emphasizes relevance.
- D. must follow GAAP.

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #18*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-07 Emphasis on the Future.*

19. After careful planning, Jammu Manufacturing Corporation has decided to switch to a just-in-time inventory system as a component of the lean thinking model. At the beginning of this switch, Jammu has 30 units of product in inventory. Jammu has 2,000 labour hours available in the first month of this switch. These hours could produce 500 units of product. Customer demand for this first month is 400 units. If just-in-time principles are correctly followed, how many units should Jammu plan to produce in the first month of the switch?

A. 370  
B. 400  
C. 430  
D. 470

Accessibility: Keyboard Navigation

Bloom's: Analyze

CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

Difficulty: Hard

Garrison - Chapter 01 #19

Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.

Topic: 01-16 Lean Production.

20. Which of the following facets of the lean thinking model is often called just-in-time production?

A. Identify value in specific products/services.  
B. Identify the business process that delivers value.  
C. Create a pull system that responds to customer orders.  
D. Organize work arrangements around the flow of the business process.

Accessibility: Keyboard Navigation

Bloom's: Understand

CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

Difficulty: Medium

Garrison - Chapter 01 #20

Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.

21. Which of the following groups should be the focal point of a company's strategy?

- A. Employees
- B. Board of directors
- C. Shareholders
- D. Target customers

Accessibility: Keyboard Navigation

Bloom's: Understand

CPA Competency: 3.1.1 Evaluates management information requirements.

Difficulty: Hard

Garrison - Chapter 01 #21

Learning Objective: 01-01 Describe the functions performed by managers.

Topic: 01-06 Strategy.

22. The purpose of IFRS is:

- A. To encourage Strategic planning.
- B. To enhance the comparability and clarity of financial information on a global basis.
- C. To encourage disclosure of Non-Financial data.
- D. To change how management accountants prepare reports.

Accessibility: Keyboard Navigation

Bloom's: Remember

CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.

Difficulty: Medium

Garrison - Chapter 01 #22

Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.

Topic: 01-11 Generally Accepted Accounting Principles.



23. In Canada, the manager in charge of the Accounting Department is usually known as the:

- A. CFO
- B. Controller
- C. Vice-President Operations
- D. President

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #23*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-15 The Controller.*

24. Which of the following is the stakeholder group whose interests are to be directly and formally protected by effective corporate governance?

- A. Customers
- B. Creditors
- C. Shareholders
- D. Suppliers

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #24*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-20 Corporate Governance.*

25. An important part of planning is to identify alternatives and then to select from among the alternatives the one that best meets the organization's objectives.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #25*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-01 Planning.*

26. The controller occupies a staff position in an organization.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #26*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-14 Line and Staff Relationships.*

*Topic: 01-15 The Controller.*

27. Persons occupying staff positions provide support and assistance to other parts of the organization.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #27*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-14 Line and Staff Relationships.*

28. Informal relationships and channels of communication often develop that do not appear on the organization chart.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #26*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-13 Decentralization.*

*Topic: 01-14 Line and Staff Relationships.*

29. Managerial accounting places less emphasis on precision and more emphasis on timeliness of data than financial accounting does.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #29*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-09 Less Emphasis on Precision.*

30. Managerial accounting is **NOT** governed by generally accepted accounting principles (GAAP).

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #30*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-11 Generally Accepted Accounting Principles.*

*Topic: 01-12 Managerial Accounting—Not Mandatory.*

31. In general, accounting data serve both financial accounting and managerial accounting purposes.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #31*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-07 Emphasis on the Future.*

*Topic: 01-08 Relevance of Data.*

*Topic: 01-09 Less Emphasis on Precision.*

32. Top management make most of the decisions in decentralized organizations.

FALSE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #32*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-13 Decentralization.*

33. Managerial accounting plays a critical role in providing information to management to facilitate implementing and monitoring strategy.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #33*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

34. Business codes of ethics prescribe minimum acceptable behaviours for all employees **except** employees belonging to one of the three major professional accounting groups in Canada.

**FALSE**

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #34*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-20 Corporate Governance.*

35. Emphasis on the future is given equal weight by both managerial accounting and financial accounting.

**FALSE**

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #35*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-07 Emphasis on the Future.*

36. A strategy is a game plan that enables a company to attract customers by distinguishing itself from competitors.

**TRUE**

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #36*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

37. Both the controller and CFO are staff positions.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #37*

*Learning Objective: 01-03 Describe the role of management accountants in an organization.*

*Topic: 01-15 The Controller.*

38. A customer value proposition is essentially a reason for customers to choose a company's products over its competitors' products.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #36*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

39. Customer value propositions tend to fall into three broad categories--customer intimacy, operational excellence, and product leadership.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #35*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

40. Companies that adopt a customer intimacy strategy are in essence saying to their target customers, "The reason you should choose us is because we understand and respond to your individual needs better than our competitors."

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Easy*

*Garrison - Chapter 01 #40*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

41. Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us rather than our competitors because we strive for zero defects."

FALSE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.1 Evaluates management information requirements.*

*Difficulty: Medium*

*Garrison - Chapter 01 #41*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-06 Strategy.*

42. Corporate governance is the legal framework that allows managers to control and direct lower-level workers on the job.

FALSE

*Accessibility: Keyboard Navigation*

*Bloom's: Understand*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #42*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-20 Corporate Governance.*

43. A value chain consists of the major business functions that add value to the company's products and services.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #43*

*Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.*

*Topic: 01-16 Lean Production.*

44. Managerial accounting is not mandatory.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #44*

*Learning Objective: 01-02 Identify the major differences and similarities between financial and managerial accounting.*

*Topic: 01-12 Managerial Accounting—Not Mandatory.*

45. Many customers seek to purchase products and services from socially responsible companies.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #45*

*Learning Objective: 01-05 Explain the nature and importance of ethics for accountants; the role of corporate governance; and corporate social responsibility.*

*Topic: 01-21 Corporate Social Responsibility.*



46. Lean production is often called just-in-time production.

TRUE

*Accessibility: Keyboard Navigation*

*Bloom's: Remember*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Easy*

*Garrison - Chapter 01 #46*

*Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.*

*Topic: 01-16 Lean Production.*

47. You have recently been hired by a manufacturing company. Two days ago, you met with the top management of the company to discuss future strategies for the firm. During the meeting, the president of the company expressed concern about the profitability of the company and the company's ability to compete effectively in the future. You responded to the president's concerns by mentioning some articles you had read in professional accounting journals regarding the lean thinking model. The president responded to your comments by saying that although the lean thinking model sounded interesting, no one in the company was knowledgeable about it. The president then requested that you prepare a brief summary of the lean thinking model for the next strategic planning meeting.

Required:

- a. Describe the lean thinking model and how it differs from traditional manufacturing methods
- b. List some of the benefits of the lean thinking model.

a. The lean thinking model is a management approach that organizes resources around the flow of business processes and pulls units through in response to customer orders. The model includes the popular just-in-time production. Lean thinking differs from traditional manufacturing methods, which organize work departmentally and encourage those departments to maximize output even if it exceeds customer demand. Scheduling production in response to customer orders results in minimal inventory.

b. Some of the benefits that accrue from adoption of the lean thinking model are as follows:

- 1) Lower inventories of raw materials, work in process, and finished goods.
- 2) Fewer defects
- 3) Less wasted efforts
- 5) Quicker customer response times.

*Bloom's: Apply*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #47*

48. How much it costs a company to manufacture a particular product is one of the many questions that reports typically provided by managerial accountants help to answer.

Required:

Comment on the usefulness of a unit product cost information in the preparation of a set of financial statements?

Unlike a merchandising company, a manufacturing company must calculate the average unit cost of each product it manufactures. As it will be demonstrated in subsequent chapters of the book, this number is essentially the sum of the cost of all the factors of production incurred (that is, raw materials, labour, and capital) divided by the total output. The resulting unit product cost information is not only useful but essential in calculating the cost of units of the product sold required for preparing an income statement and the cost of units of the product not sold (to be reported among the assets on the balance sheet as ending inventory).

*Bloom's: Analyze*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Hard*

*Garrison - Chapter 01 #48*

*Learning Objective: 01-01 Describe the functions performed by managers.*

*Topic: 01-05 The Planning and Control Cycle.*

*Topic: 01-07 Emphasis on the Future.*

*Topic: 01-08 Relevance of Data.*

49. Provide three examples of common business risks faced by companies.

Some examples of common business risks include: (1) losing market share to competitors; (2) Web site malfunctioning; (3) employees stealing assets or accessing unauthorized information; and (4) inaccurate budget estimates causing operational problems such as excessive inventory levels or inventory shortages.

*Bloom's: Apply*

*CPA Competency: 3.1.2 Evaluates the types of information systems used and the role they play in an organization.*

*Difficulty: Medium*

*Garrison - Chapter 01 #49*

*Learning Objective: 01-04 Explain the basic concepts of lean production; enterprise systems; and risk management.*

*Topic: 01-19 Identifying and Controlling Business Risks.*

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