

Chapter 1
Accounting As a Tool for Management
Summary of Questions by Objectives and Bloom's Taxonomy

True-False Questions

Item	LO	Unit	BT	Item	LO	Unit	BT
1.	1	1.1	K	17.	4	1.2	K
2.	2	1.1	K	18.	4	1.2	C
3.	1	1.1	K	19.	4	1.2	K
4.	2	1.1	C	20.	4	1.2	C
5.	2	1.1	C	21.	4	1.2	K
6.	2	1.1	K	22.	4	1.2	K
7.	2	1.1	C	23.	4	1.2	K
8.	3	1.1	K	24.	4	1.2	C
9.	3	1.1	K	25.	4	1.2	K
10.	3	1.1	C	26.	4	1.2	K
11.	3	1.1	C	27.	4	1.2	K
12.	3	1.1	K	28.	4	1.2	C
13.	3	1.1	C	29.	4	1.2	K
14.	4	1.2	K	30.	5	1.3	K
15.	3	1.1	C	31.	5	1.3	C
16.	4	1.2	K	32.	5	1.3	K

Multiple-Choice

Item	LO	Unit	BT	Item	LO	Unit	BT	Item	LO	Unit	BT
33.	2	1.1	K	67.	3	1.1	K	101.	4	1.2	AP
34.	1	1.1	K	68.	3	1.1	K	102.	4	1.2	K
35.	1	1.1	K	69.	3	1.1	AP	103.	5	1.3	K
36.	1	1.1	K	70.	3	1.1	AP	104.	5	1.3	K
37.	1	1.1	C	71.	3	1.1	K	105.	5	1.3	C
38.	1	1.1	C	72.	3	1.1	C	106.	5	1.3	C
39.	2	1.1	K	73.	4	1.2	K	107.	5	1.3	K
40.	2	1.1	C	74.	4	1.2	C	108.	5	1.3	K
41.	2	1.1	C	75.	4	1.2	C	109.	5	1.3	K
42.	2	1.1	C	76.	4	1.2	K	110.	5	1.3	C
43.	2	1.1	C	77.	4	1.2	K	111.	5	1.3	C
44.	2	1.1	C	78.	4	1.2	C	112.	5	1.3	K
45.	2	1.1	C	79.	4	1.2	C	113.	5	1.3	C

46.	2	1.1	K	80.	4	1.2	K	114.	5	1.3	C
47.	2	1.1	K	81.	4	1.2	K	115.	5	1.3	C
48.	2	1.1	K	82.	4	1.2	K	116.	5	1.3	C
49.	2	1.1	K	83.	4	1.2	K	117.	5	1.3	C
50.	2	1.1	C	84.	4	1.2	K	118.	5	1.3	AP
51.	2	1.1	K	85.	4	1.2	C	119.	5	1.3	AP
52.	2	1.1	K	86.	4	1.2	AP	120.	5	1.3	AP
53.	2	1.1	C	87.	4	1.2	K	121.	5	1.3	K
54.	2	1.1	C	88.	4	1.2	K	122.	5	1.3	K
55.	2	1.1	C	89.	4	1.2	K	123.	5	1.3	C
56.	2	1.1	C	90.	4	1.2	C	124.	5	1.3	C
57.	3	1.1	K	91.	4	1.2	C	125.	5	1.3	C
58.	3	1.1	K	92.	4	1.2	K	126.	5	1.3	C
59.	3	1.1	K	93.	4	1.2	K	127.	5	1.3	C
60.	3	1.1	K	94.	4	1.2	K	128.	5	1.3	C
61.	3	1.1	K	95.	4	1.2	C	129.	5	1.3	C
62.	3	1.1	C	96.	4	1.2	K	130.	5	1.3	C
63.	3	1.1	K	97.	4	1.2	K	131.	5	1.3	K
64.	3	1.1	C	98.	4	1.2	K	132.	5	1.3	K
65.	3	1.1	C	99.	4	1.2	C				
66.	3	1.1	C	100.	4	1.2	C				

Matching

Item	LO	Unit	BT
133.	1,2,3,4,5	1.1, 1.2, 1.3	K

Brief Exercises

Item	LO	Unit	BT
134.	2	1.1	AP
135.	2	1.1	C
136.	3	1.1	AP
137.	4	1.2	C
138.	4	1.2	AP
139.	4	1.2	AP
140.	4	1.2	AP
141.	5	1.3	C
142.	4	1.2	C
143.	5	1.3	K

Exercises

Item	LO	Unit	BT	Item	LO	Unit	BT
144.	3	1.1	AP	151.	2	1.1	E
145.	3	1.1	AP	152.	2	1.1	E
146.	3	1.1	AP	153.	4	1.2	AP
147.	4	1.2	C	154.	4	1.2	AP
148.	4	1.2	C	155.	3	1.1	AP
149.	2	1.1	AP	156.	3	1.1	AP
150.	2	1.1	C				

Short-Answer

Item	LO	Unit	BT
157.	1	1.1	E
158.	3	1.1	C
159.	3	1.1	C
160.	5	1.3	K
161.	5	1.3	K

Essay

Item	LO	Unit	BT
162.	1	1.1	E
163.	5	1.3	C
164.	5	1.3	S
165.	5	1.3	C
166.	5	1.3	E

Note: TF = True-False; M = Matching; MC = Multiple Choice; BE = Brief Exercises; E = Exercises; Ess = Essay; SA = Short Answer

CHAPTER LEARNING OBJECTIVES

1. Define managerial accounting (Unit 1.1)

There are several formal definitions of managerial accounting. A simple one is “the generation of relevant information to support management’s decision-making activities.”

2. Describe the differences between managerial and financial accounting (Unit 1.1)

Managerial accounting’s primary users are managers and decision makers within an organization, whereas financial accounting is aimed primarily at external users. Unlike GAAP that guides financial accounting, there are no mandated rules in managerial accounting. Managerial accounting reports focus on operating segments, while financial accounting statements report results for the organization as a whole. Managerial accounting is concerned more with projecting future results than reporting past results. Managerial information is prepared to take advantage of a window of opportunity, even if some accuracy must be sacrificed. Financial accounting information is balanced to the penny and is delivered after the end of the accounting period.

3. List and describe the four functions of managers (Unit 1.1)

Planning means setting a direction for the organization. Long-term, or strategic planning provides direction for a five- to ten-year period. Short-term or operational planning provides more detailed guidance for the coming year; it translates the company’s strategy into action steps. Controlling is the monitoring of day-to-day operations to identify any problems that require corrective action. Evaluating is the process of comparing a particular period’s actual results to planned results, for the purpose of assessing managerial performance. Decision making means choosing between alternative courses of action.

4. Explain how the selection of a particular business strategy determines the information that managers need to run an organization effectively (Unit 1.2)

To run a business effectively, managers need information that shows how well operations are meeting the organization’s strategic goals. For instance, if the organization’s strategy is to be a low-cost producer, information about product costs and cost variances will be more useful to managers than information about research and development.

5. Discuss the importance of ethical behavior in managerial accounting (Unit 1.3)

Ethical behavior means knowing right from wrong and then doing the right thing. Many companies and most professional organizations have codes of conduct to guide employees’ actions. Acting unethically can lead to illegal activity and ultimately to the destruction of the firm. Furthermore, research has shown that a public commitment to ethical behavior can lead to superior financial performance.

TRUE-FALSE STATEMENTS

1. Management accounting is the generation of relevant information and analysis provided to external users.

Ans: F – *Management accounting is the generation of relevant information and analysis to support managers' decision making activities.*

LO: 1, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

2. The primary users of managerial accounting information are managers and decision makers.

Ans: T

LO: 2, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

3. The American Institute of Certified Public Accountants is the leading organization for management accountants in the United States.

Ans: F – *The Institute of Management Accountants (IMA) is the leading organization for management accountants in the United States*

LO: 1, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

4. Managerial accounting provides reports and information for a range of decision makers outside an organization.

Ans: F – *Managerial accounting provides reports and information for a range of decision makers within an organization.*

LO: 2, Bloom: C, Unit: 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

5. Managerial accounting differs from financial accounting in that managerial accounting has no comparable set of rules governing what information must be provided to decision makers or how that information is presented.

Ans: T

LO: 2, Bloom: C, Unit: 1-1, Difficulty: Moderate Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

6. Managerial accounting reports historical information, often with the purpose of comparing actual results to budgeted results.

Ans: T

LO: 2, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

7. Decision makers might have a long list of information they would find helpful, and they are generally **not** willing to sacrifice accuracy for having the information quickly.

Ans: F – *Decision makers might have a long list of information they would find helpful. But sometimes they might need to sacrifice precision for timeliness.*

LO: 2, Bloom: C, Unit: 1-1, Difficulty: Difficult, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

8. Managerial accounting is designed to assist managers with four general activities: planning, controlling, evaluating, and decision making.

Ans: T

LO: 3, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

9. Long-term planning is often referred to as strategic planning.

Ans: T

LO: 3, Bloom: K, Unit: 1-1, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

10. One purpose of planning activities is to monitor day-to-day operations to ensure that processes are operating as expected.

Ans: F – *One purpose of controlling activities is to monitor day-to-day operations to ensure that processes are operating as expected.*

LO: 3, Bloom: C, Unit: 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

11. All other things held equal, the more frequent the controlling activity, the faster an out-of-control process can be corrected.

Ans: T

LO: 3, Bloom: C, Unit: 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

12. The task of accessing how well employees have performed relative to expectations is a controlling activity.

Ans: F – *The task of accessing how well employees have performed relative to expectations is considered an evaluation activity.*

LO: 3, Bloom: K, Unit: 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

13. Preparers of managerial accounting information are generally **not** active participants in the decision making process.

Ans: F – *Preparers of managerial accounting information are no longer solely number crunchers, but active participants in the decision making process.*

LO: 3, Bloom: C, Unit: 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

14. Managerial accounting information provides feedback about how well the organization is implementing its strategy and achieving its goals.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

15. Managerial accounting information is always prepared by the controller or cost accountant.

Ans: F – *Managerial accounting information can be provided by a controller, a plant accountant, a cost accountant, a financial analyst, a budget or cost analyst, a general accountant, or even a chief financial officer.*

LO: 3, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

16. For the product differentiation strategy, companies will want information on quality, such as defect rates, percentage of on-time deliveries, and customer satisfaction.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

17. If a company follows a strategy of product differentiation, it will seek ways to set its products apart from competitors' in terms of quality, design or service.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

18. A company that focuses on product differentiation does **not** need to monitor product costs because if the quality is sufficient customers will pay the price.

Ans: F – *A company that focuses on product differentiation must monitor product costs because if too much money is spent on quality, the sales price will be too high to be competitive.*

LO: 4, Bloom: C, Unit 1-2, Difficulty: Difficult, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

19. The four strategies based on a firm's approach to market share growth are build, hold, harvest and divest.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

20. Under a build strategy, a company aims to increase its market share and competitive position relative to others in the industry, using its short-term earnings and positive cash flow.

Ans: F – *Under a build strategy, a company aims to increase its market share and competitive position relative to others in the industry, even at the expense of short-term earnings and cash flows.*

LO: 4, Bloom: C, Unit 1-2, Difficulty: Difficult, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

21. A harvest strategy focuses on short-term profits and cash, even at the expense of market share.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

22. A divest strategy is appropriate when a company desires to enter a particular market.

Ans: F – *A divest strategy is appropriate when a company desires to exit a particular market.*

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

23. A tool that managerial accountants have developed to assist in monitoring organizational performance is the balanced scorecard.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

24. The balanced scorecard uses only nonfinancial information such as customer satisfaction or employee turnover to measure performance.

Ans: F – *While the balanced scorecard uses some financial performance measures, it places equal emphasis on nonfinancial performance measures.*

LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

25. A supply chain is a network of facilities that procure raw materials, transform them into intermediate goods and then into final products, and deliver the final products to customers through a distribution system.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

26. The supply chain's goal is to reduce or eliminate defects.

Ans: F – *The supply chain's goal is to get the right product to the right location in the right quantities, at the right time, and at the right cost.*

LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

27. Just-in-time inventory management is an inventory strategy that focuses on reducing waste and inefficiency by ordering inventory items so that they arrive just when they are needed.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

28. Just-in-time implementations are simple and take little or no effort to implement and will work for most companies.

Ans: F – *Just-in-time implementations take time and effort to implement and will **not** work for everyone.*

LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

29. The goal of an ERP system is to integrate all data from the company's many business processes into a single information system.

Ans: T

LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 1, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Information Management

30. Ethical behavior is knowing right from wrong and conducting yourself accordingly, so that your decisions are consistent with your own value system and the values of those affected by your decisions.

Ans: T

LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 1, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

31. Ethical business behavior is compliance with the law.

Ans: F – *Ethical business behavior is **not** the same as mere compliance with the law.*

LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 1, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

32. A firm's code of conduct is based on a set of core values that are meant to guide employees' behavior.

Ans: T

LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 1, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Answers to True-False Statements

Item	Ans	Item	Ans	Item	Ans	Item	Ans
1.	F	9.	T	17.	T	25.	T
2.	T	10.	F	18.	F	26.	F
3.	F	11.	T	19.	T	27.	T
4.	F	12.	F	20.	F	28.	F
5.	T	13.	F	21.	T	29.	T
6.	T	14.	T	22.	F	30.	T
7.	F	15.	F	23.	T	31.	F
8.	T	16.	T	24.	F	32.	T

MULTIPLE-CHOICE QUESTIONS

33. Managerial accounting is used by managers to

- a. Plan.
- b. Evaluate.
- c. Control.
- d. All of the above.

Ans: D, LO: 2, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

34. The leading professional organization for management accountants is the

- a. American Association of Management Accountants.
- b. Institute of Management Accountants.
- c. National Association of Accountants.
- d. Society of Management Accountants.

Ans: B, LO: 1, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

35. In the context of managerial accounting, relevant information

- a. Is information that will make a difference in the decision.
- b. Is information that has been provided by the controller.
- c. Must be provided in quantitative terms.
- d. Must be analyzed by the chief financial officer before being provided to managers.

Ans: A, LO: 1, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

36. Good managerial accounting information helps

- a. Creditors decide on good credit risks.
- b. Managers to do their jobs.
- c. Stockholders make informed investment decisions.
- d. All of the above.

Ans: B, LO: 1, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

37. Managerial accounting is used by managers to

- a. Assure appropriate use of an organization's resources.
- b. Assure accountability for an organization's resources.
- c. Provide information used in planning, evaluation and controlling functions within an organization.
- d. All of the above.

Ans: D, LO: 1, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

38. Which of the following is **not** a way managers use managerial accounting?

- a. Provide information used in planning, evaluation and controlling functions within an organization.
- b. To assure appropriate use of its resources
- c. To assure accountability for its resources
- d. To communicate information to stockholders

Ans: D, LO: 1, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

39. The purpose of financial statements contained in annual reports is to
- Communicate information about the financial health of a company to external users.
 - Assist internal managers in making pricing decisions.
 - Both A and B.
 - Neither A nor B.

Ans: A, LO: 2, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

40. An example of an external user is a
- Company president.
 - Plant manager.
 - Payroll supervisor
 - Creditor.

Ans: D, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

41. An example of an external user is a
- Managerial accountant.
 - Vice-President of Marketing.
 - Potential Investor.
 - Payroll Manager.

Ans: C, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

42. Which of the following is **not** a correct statement?
- Managerial accounting benefits internal users.
 - Managerial accounting reports must comply with generally accepted accounting principles.
 - Managerial accounting includes reports and information prepared for a range of decision makers with the organization.
 - Managerial accounting reports come in a variety of formats.

Ans: B, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

43. Which of the following is **not** a characteristic of managerial accounting reports?
- Managerial accounting reports are designed to provide the ultimate decision maker with the appropriate information.
 - Managerial accounting reports come in a variety of formats.
 - Managerial accounting reports are not distributed to the general public.
 - All of the above are characteristics of managerial accounting reports.

Ans: D, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

44. The information provided by managerial accountants is **not** distributed to the general public because
- To do so could provide competitors with vital information about corporate strategies and capabilities.
 - To do so would be against the Institute of Management Accountants' code of conduct.

- c. To do so would be against generally accepted accounting principles.
- d. To do so would violate federal trade laws.

Ans: A, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

45. The information provided by managerial accountants is **not** disseminated to the general public because
- a. To do so would violate federal trade laws
 - b. It would be too expensive to distribute the information
 - c. To do so would be to provide competitors with vital information about corporate strategies and capabilities.
 - d. All of the above are reasons managerial accounting information is not disseminated to the general public.

Ans: C, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

46. All public companies that are traded on a stock exchange and governed by the Securities and Exchange Commission must prepare financial statements following
- a. Accounting principles set by the Federal Trade Commission.
 - b. Generally accepted accounting principles.
 - c. Generally appropriate accounting standards.
 - d. Standards set by the Accounting Principles Board.

Ans: B, LO: 2, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

47. GAAP “rules” govern how transactions are
- a. Valued.
 - b. Recorded.
 - c. Presented.
 - d. All of the above.

Ans: D, LO: 2, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

48. Since external users of financial statements have no way to verify the reported information
- a. They cannot make informed decisions from financial information.
 - b. FASB provides consequences to companies who distribute false managerial accounting reports to outsiders.
 - c. GAAP provides a level of protection or assurance that the reports will follow certain standards.
 - d. None of the above.

Ans: C, LO: 2, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

49. Since internal users have access to all the underlying data used for managerial accounting reports,
- a. They can create reports that suit their particular decision making needs.
 - b. There is no need to use financial data in making decisions.
 - c. Both A and B.
 - d. Neither A nor B.

Ans: A, LO: 2, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

50. Which of the following statements is **not** true?

- a. A company is unlikely to be successful in the long run without adequate managerial accounting information to support decision making.
- b. Managerial accounting is completely optional.
- c. Managerial accounting reports are covered by comparable rules governing financial accounting.
- d. Internal users have access to all the underlying data in managerial accounting reports.

Ans: C, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

51. Most managerial decisions are made at which of the following levels?

- a. Organization-level
- b. Operating-segment level
- c. Managerial accounting level
- d. Presidential level

Ans: B, LO: 2, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

52. The basic financial statements always report on transactions and events

- a. That have already occurred.
- b. That will occur in the future.
- c. That are projected.
- d. That have been audited.

Ans: A, LO: 2, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

53. Managerial accounting reports historical information often with the purpose of

- a. Comparing actual results to budgeted results
- b. Helping managers to make decisions that will affect the company's future by projecting the results of certain decisions.
- c. Both A and B.
- d. Neither A nor B.

Ans: C, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

54. Managerial accounting reports

- a. Use historical information.
- b. Compare actual results to budgeted results.
- c. Project the results of certain decisions.
- d. All of the above.

Ans: D, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

55. Which of the following statements is **not** true?

- a. Managerial accounting reports use historical information.
- b. Managerial accounting must not use estimates in preparing reports.
- c. Managerial accountants use historical amounts in developing future projects.
- d. All of the above statements are true.

Ans: B, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

56. Decision makers sometimes might need to sacrifice precision for timeliness because
- Receiving highly accurate information after the deadline has passed would be of no help.
 - The nature of many business decisions does not require precision in managerial accounting reports.
 - Both A and B.
 - Neither A nor B.

Ans: C, LO: 2, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

57. Managerial accounting is designed to assist managers with which of the following activities?
- Planning
 - Controlling
 - Evaluating
 - All of the above

Ans: D, LO: 3, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

58. Which of the following is **not** an activity in which managerial accounting is designed to assist managers?
- Reporting
 - Controlling
 - Decision making
 - Evaluation

Ans: A, LO: 3, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

59. Frequent feedback from planning, controlling, evaluating, and decision making activities creates which of the following types of decision-making process?
- Linear
 - Circular
 - Scattered
 - None of the above

Ans: B, LO: 3, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

60. Long-term planning is often referred to as
- Strategic planning.
 - Operational planning.
 - Goal-oriented planning.
 - External planning.

Ans: A, LO: 3, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

61. Short-term planning is often referred to as
- Strategic planning.
 - Operational planning.
 - Goal-oriented planning.
 - External planning.

Ans: B, LO: 3, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

62. Operational planning translates strategic planning into a plan to be completed with

- a. Three months.
- b. One year.
- c. Five years.
- d. Ten years.

Ans: B, LO: 3, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

63. One of the primary products of the operations planning stage will likely be a

- a. Projected income statement.
- b. Pro forma balance sheet.
- c. Budget.
- d. None of the above.

Ans: C, LO: 3, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

64. One purpose of controlling activities is to

- a. Monitor day-to-day operations to ensure that processes are operating as expected.
- b. Translate long-term strategy into a short-term plan.
- c. To perform variance analysis and prepare performance reports.
- d. None of the above.

Ans: A, LO: 3, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

65. Managers perform controlling activities

- a. In real time as operations are occurring.
- b. A frequency such as once a day or once an hour.
- c. Both A and B.
- d. Neither A nor B.

Ans: C, LO: 3, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

66. All other things held equal

- a. The more frequent the controlling activity, the slower an out-of-control process can be corrected.
- b. The more frequent the controlling activity, the faster an out-of-control process can be corrected.
- c. The more frequent the controlling activity, the more likely employees are to ignore the control.
- d. The more frequent the controlling activity, the less likely employees are to ignore the control.

Ans: B, LO: 3, Bloom: C, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

67. To help managers with their evaluations, managerial accountants often perform

- a. Time tests.
- b. Spot checks.
- c. Variance analysis.
- d. Performance reviews.

Ans: C, LO: 3, Bloom: K, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

68. The forefront of managerial activity is

- a. Planning activities.
- b. Controlling activities.
- c. Evaluating activities.
- d. Decision making.

Ans: D, LO: 3, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

69. One of the planning activities that occupies managers is inventory planning. Which of the following is **not** an input into this planning process?

- a. Projected sales forecasts
- b. Variance analysis of actual versus budgeted inventory
- c. Projected supply and prices
- d. Anticipated manufacturing capacity

Ans: B, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

70. Which of the following is **not** an input into the monitoring activities relating to production?

- a. Actual production rate and output
- b. Checking output against the planned inventory level
- c. Anticipated manufacturing capacity
- d. All of the above are monitoring activities

Ans: C, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

71. Managerial accounting information is provided by which of the following individuals within an organization.

- a. A controller
- b. A plant accountant
- c. A cost accountant
- d. Any of the above individuals can provide managerial accounting information.

Ans: D, LO: 3, Bloom: K, Unit 1-1, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

72. Which of the following is **not** a characteristic of a managerial accountant?

- a. Just a number cruncher
- b. Analyze and interpret financial data
- c. Analyze and interpret operating data
- d. Active participant in the decision making process

Ans: A, LO: 3, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

73. Which of the following should a company that wants to be successful have to know?

- a. What it wants to accomplish.
- b. How it is going to achieve it
- c. Both A and B.
- d. Neither A nor B.

Ans: C, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

74. Michael Porter, a management strategy expert, developed a strategic framework in which a firm has ways to develop a competitive advantage. Which of the following is **not** one of the ways Porter suggested a firm use to develop a competitive advantage?
- a. Product differentiation
 - b. Low cost production
 - c. Contribution differentiation
 - d. None of the above.

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

75. Michael Porter, a management strategy expert, developed a strategic framework in which a firm has ways to develop a competitive advantage. Which of the following is one of the ways Porter suggested a firm use to develop a competitive advantage?

- a. Supply chain management
- b. Low-cost production
- c. Just-in-time management
- d. None of the above

Ans: B, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

76. If a company follows a strategy of product differentiation, it will seek ways to set its products apart in terms of

- a. Quality, design or service
- b. Price, demand or service
- c. Design, price or popularity
- d. Quality, demand or life cycle

Ans: A, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

77. If a company chooses a low-cost production strategy, the company will set itself apart from competitors in terms of

- a. Quality
- b. Lower selling price
- c. Demand
- d. High-cost design

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

78. In monitoring product differentiation strategy and low-cost production strategy, a difference is that

- a. For the product differentiation strategy, information is needed on quality while for low-cost production managers are more interested in the production process.
- b. For the product differentiation strategy, information is needed on the production process while for low-cost production managers are more interested in maintaining quality.
- c. For the product differentiation strategy, information is needed on design while for low-cost production managers are more interested in quality.
- d. For the product differentiation strategy, information is needed on quality while for low-cost production managers are more interested in design.

Ans: A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

79. Which of the following are managers most likely to monitor whether using product differentiation or low-cost production strategy?

- a. Customer satisfaction
- b. The production process
- c. External information such as competitor actions
- d. None of the above

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

80. Which of the following are strategies based on a firm's approach to market share growth?

- a. Handle, Hermetic, Hold, or Harvest
- b. Build, Hold, Harvest, or Divest
- c. Handle, Expand, Low-Cost, or Divest
- d. Build, Expand, Hold, or Divest

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

81. When a company approaches market share growth under a build strategy,

- a. The company aims to increase its market share in the industry, even at the expense of short-term earning and cash flow.
- b. The company seeks to maintain its current market share but build its return on investment.
- c. The company seeks to market share growth by purchasing companies exiting the market.
- d. The company focuses on short-term profits and cash.

Ans: A, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

82. When a company approaches market share growth under a hold strategy,

- a. The company aims to hold its market share in the industry, even at the expense of short-term earning and cash flow.
- b. The company seeks to maintain its current market share and generate a reasonable return on investment.
- c. The company seeks to market share growth by purchasing companies exiting the market.
- d. The company focuses on short-term profits and cash.

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

83. When a company approaches market share growth under a harvest strategy,

- a. The company aims to increase its market share in the industry, even at the expense of short-term earning and cash flow.
- b. The company seeks to maintain its current market share but build its return on investment.
- c. The company focuses on short-term profits and cash, even at the expense of market share.
- d. The company focuses on long-term profits and return on investment.

Ans: C, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

84. Which of the following is **not** a tool for monitoring strategic performance?

- a. The balanced scorecard
- b. Code of conduct
- c. Supply chain management
- d. Enterprise Resource Planning (ERP) systems

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

85. Which of the following is **not** a correct statement relating to the balanced scorecard?

- a. It was developed in the early 1990s by David Norton and Robert Kaplan
- b. It is a collection of performance measures that track an organization's progress toward achieving its goals
- c. The selection of performance measures used is driven by the organization's network of facilities used to produce and deliver its product.

- d. It uses both financial and non-financial performance measures.

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

86. Which of the following might be measures of performance for a balanced scorecard?

- a. Stock price
- b. Sales revenue
- c. Customer satisfaction
- d. All of the above might be measures of performance

Ans: D, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

87. Which of the following is **not** a category for performance measures used for a balanced scorecard?

- a. Financial
- b. Customer
- c. Internal business processes
- d. Regulatory

Ans: D, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

88. Which of the following is **not** a category for performance measures used for a balanced scorecard?

- a. Learning and growth
- b. Competitive
- c. Internal business processes
- d. Customer

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

89. In a survey of 1,221 global business executives, what percentage did Bain & Company find were using a balanced scorecard?

- a. 66%
- b. 98%
- c. 27%
- d. 49%

Ans: A, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

90. In which type of organization might using a balanced scorecard **not** be appropriate?

- a. For-profit organizations
- b. Governmental units
- c. Service organizations
- d. All of the above might use a balanced scorecard.

Ans: D, LO: 4, Bloom: C, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

91. Which of the following is **not** a step in the supply chain?

- a. Put inventory into production as soon as it arrives
- b. Deliver the final products to customers through a distribution system
- c. Procure raw materials
- d. Transform raw materials into intermediate goods and then into final products

Ans: A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

92. The supply chain's goal is to

- a. Avoid carrying too much inventory.
- b. To reduce or eliminate defective goods.
- c. To measure performance based on financial and non-financial components.
- d. To get the right product to the right location, in the right quantities at the right time, and at the right cost.

Ans: D, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

93. The supply chain's goal is to

- a. To get the right product to the right location
- b. To get the product in the right quantities at the right time
- c. To get the product produced at the right price
- d. All of the above are part of the supply chain's goal.

Ans: D, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

94. Just-in-time inventory management (JIT) is an inventory strategy that focuses on

- a. Performance measures.
- b. Reducing waste and inefficiency.
- c. Getting the right produce to the right location at the right price.
- d. None of the above.

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

95. When using just-in-time inventory management, a company puts good into production

- a. In anticipation of customer orders.
- b. When inventory levels drop below specified levels.
- c. When customer orders are received and goods are received.
- d. When the warehouse has enough space to accommodate additional inventory.

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

96. Just-in-time inventory can be traced back to

- a. Toyota Motor Company
- b. Henry Ford
- c. Microsoft
- d. Wal-mart

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

97. In a traditional inventory system

- a. Inventory is stockpiled in large amounts.
- b. Inventory is ordered just in time to be put into production.
- c. The marketing manager determines how much inventory should be in stock.
- d. The cost of carrying inventory is no more than with a JIT system.

Ans: A, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

98. Without affecting their ability to meet customer demand, some companies have found they can reduce inventory levels by using a just-in-time system as much as
- 5% to 10%
 - 20% to 25%
 - 35% to 40%
 - 50% to 60%

Ans: D, LO: 4, Bloom: K, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

99. Which of the following statements relating to just-in-time inventory is **not** correct?
- As soon as goods are completed, they are shipped directly to the customer.
 - Products are generally completed in small batches in response to customer requests
 - Just-in-time is beneficial to all companies that will implement it.
 - No safety stock is kept in the event that some units are found to be defective.

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Difficult, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

100. A problem with traditional computerization of operation was that
- Functional areas such as marketing and production created systems to meet their own needs without considering the needs of other areas.
 - Traditional systems often resulted in a collection of mismatched or redundant systems.
 - Both A and B.
 - Neither A nor B.

Ans: C, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Information Management

101. Which of the following is an example of an enterprise resource planning (ERP) system?
- SAP
 - Oracle
 - Both A and B
 - Neither A nor B

Ans: C, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Moderate, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Information Management

102. The goal of an ERP system is to
- Reduce waste and inefficiency in the production process.
 - To integrate all data from the company's many business processes into a single information system.
 - To establish the direction in which an organization wishes to go.
 - To monitor day-to-day operations to ensure that processes are operating as expected.

Ans: B, LO: 4, Bloom: K, Unit 1-2, Difficulty: Easy, Min: 2, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Information Management

103. Ethical behavior is
- Always doing what benefits yourself regardless of the consequences to others affected by your decision.
 - Always choosing the behavior that will harm the least number of stakeholders.
 - Knowing right from wrong and conducting yourself accordingly so that your decisions are consistent with your own value system and the values of those affected by your decisions.

- d. Knowing right from wrong and conducting yourself accordingly so that your decisions are made to benefit others affected by your decisions rather than yourself.

Ans: C, LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

104. Which of the following is **not** a test of an ethical business decision as suggested by the Institute of Business Ethics?

- a. Would I want others to do to me what I am doing to them?
- b. Do I mind others knowing what I have done?
- c. Who does my decision affect or hurt?
- d. Would my decision be considered fair by those affected?

Ans: A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

105. Ethical business behavior

- a. Is not mere compliance with the law.
- b. Suggests that the spirit of the law is more important than the letter of the law.
- c. Suggest that moral values and codes are more important than rules and policies.
- d. All of the above are true.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

106. Which of the following statements related to ethical behavior is **not** a correct statement?

- a. The spirit of the law is more important than the letter of the law
- b. Moral values and codes are more important than rules and policies
- c. A person is considered to uphold ethical business practices as long as he or she complies with the law.
- d. All of the above statements are incorrect.

Ans: C, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

107. According to a 2005 National Business Ethics Survey, what percentage of employers had a written code of conduct?

- a. 26%, up from 17% in 1994.
- b. 47%, up from 35% in 1994.
- c. 67%, up from 47% in 1994
- d. 83%, up from 67% in 1994.

Ans: D, LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

108. The Sarbanes-Oxley Act requires that all publicly traded companies disclose whether certain executives are subject to a corporate code of ethics. Which of the following executive position need **not** be disclosed?

- a. Principal executive officer
- b. Principal marketing officer
- c. Principal financial officer.
- d. Principal accounting officer.

Ans: B, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

109. The Sarbanes-Oxley Act requires that all publicly traded companies disclose whether certain executives are subject to a corporate code of ethics. Which of the following executive position need **not** be disclosed?
- Principal production officer.
 - Principal financial officer.
 - Principal accounting officer.
 - Principal executive officer.

Ans: A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

110. Under the Sarbanes-Oxley Act, which of the following is a requirement of the corporate code of ethics?
- Must be published in the annual report or on the corporate website, or provided at no charge upon request.
 - Must disclose all instances in which these codes have been waived for a particular individual.
 - Must disclose all changes to the code.
 - All of the above.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

111. Under the Sarbanes-Oxley Act, which of the following related to the corporate code of ethics is **not** required?
- Must be published in the annual report or on the corporate website or provided at no charge upon request.
 - Must disclose the likelihood of a breach of the code based on the industry and structure of the corporation.
 - Must disclose all instances in which these codes have been waived for a particular individual.
 - Must disclose all changes to the code.

Ans: B, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

112. The leading professional organization for managerial accountants is
- The American Institute of Managerial Accountants.
 - The Society of American Management Accountants.
 - The Institute of Management Accountants.
 - The National Society of Management Accountants.

Ans: C, LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

113. A key component of a positive ethical environment is
- Legal requirements.
 - Regulatory requirements.
 - Industry requirement.
 - Tone at the top, or management's commitment to ethical behavior.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

114. Which of the following is **not** a type of unethical behavior employees might observe?
- Abusive or intimidating behavior
 - Lying to employees

- c. Misreporting of hours worked
- d. Having employees sign an acknowledgement that they understand and will adhere to the corporate code of conduct.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

115. Which of the following is **not** a type of unethical behavior employees might observe?
- a. Requiring employees to sign an acknowledgement they understand and will adhere to the corporate code of conduct.
 - b. Putting one's own interest ahead of the organization's interest.
 - c. Misreporting of hours worked.
 - d. Lying to employees.

Ans: A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

116. Which of the following is a type of unethical behavior employees might observe?
- a. Putting one's own interest ahead of the organization's interest.
 - b. Misreporting of hours worked.
 - c. Lying to employees.
 - d. All of the above are unethical behaviors.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

117. Which of the following is a **not** a consequence of unethical behavior?
- a. It can lead to illegal activity.
 - b. It can lead to the destruction of the firm.
 - c. It can lead to inferior financial performance.
 - d. All of the above are consequences of unethical behavior.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

118. Which of the following is **least** likely to be in a company's code of ethics?
- a. Profit margin expected
 - b. Transparency of information
 - c. Political activity
 - d. Commitment to the environment

Ans: A, LO: 5, Bloom: AP, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

119. Which of the following is **least** likely to be in a company's code of ethics?
- a. Access to information
 - b. Projected percentage of employees who act unethically
 - c. Development and fundraising
 - d. Clarity of information

Ans: B, LO: 5, Bloom: AP, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

120. Which of the following is **least** likely to be in a company's code of ethics?
- a. Transparency of information
 - b. Commitment to the environment
 - c. Maximum amount of bonuses to be paid to executives
 - d. Discrimination

Ans: C, LO: 5, Bloom: AP, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

121. Which of the following is **not** a standard of the IMA statement of ethical professional practice?
- Competence
 - Integrity
 - Credibility
 - Independence

Ans: D, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

122. Which of the following is **not** a standard of the IMA statement of ethical professional practice?
- Competence
 - Integrity
 - Objectivity
 - Confidentiality

Ans: C, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

123. Which of the following is **not** a duty of a management accountant under the IMA Statement of Ethical Professional Practice's competence standard?
- Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
 - Provide decision support information and recommendations that are accurate, clear, concise and timely.
 - Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
 - Perform professional duties in accordance with relevant laws, regulations, and technical standards.

Ans: C, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

124. Which of the following is **not** a duty of a management accountant under the IMA Statement of Ethical Professional Practice's confidentiality standard?
- Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
 - Keep information confidential except when disclosure is authorized or legally required.
 - Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates' activities to ensure compliance.
 - Refrain from using confidential information for unethical or illegal advantage.

Ans: A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

125. The IMA Statement of Ethical Professional Practice includes which of the following components?
- Overarching principles that express members' values.
 - Standards that guide members' conduct.
 - Both A and B.
 - Neither A nor B.

Ans: C, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

126. The IMA Statement of Ethical Professional Practice includes which of the following components?
- Overarching principles that express members' values.
 - Interpretations of principles.

- c. Both A and B.
- d. Neither A nor B.

Ans: A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

127. The IMA Statement of Ethical Professional Practice includes which of the following components?
- a. Articles that express members' ethical requirements.
 - b. Standards that guide members' conduct.
 - c. Both A and B.
 - d. Neither A nor B.

Ans: B, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

128. Which of the following is **not** a duty of a management accountant under the IMA Statement of Ethical Professional Practice's credibility standard?
- a. Communicate information fairly and objectively.
 - b. Disclose all relevant information that could reasonably be expected to influence and intended user's understanding of the reports, analyses, or recommendations.
 - c. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.
 - d. All of the above are include under the credibility standard.

Ans: D, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

129. The IMA Statement of Ethical Professional Practice applies to
- a. All accountants.
 - b. All CPAs.
 - c. All members of the IMA.
 - d. All of the above.

Ans: C, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

130. Which of the following is **not** a duty of a management accountant under the IMA Statement of Ethical Professional Practice's credibility standard?
- a. Mitigate actual conflict of interest.
 - b. Refrain from engaging in any conduct that would prejudice carrying out duties ethically.
 - c. Maintain an appropriate level of professional expertise.
 - d. Abstain from engaging in or supporting any activity that might discredit the profession.

Ans: C, LO: 5, Bloom: C, Unit 1-3, Difficulty: Difficult, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

131. Which of the following is **not** a component of the IMA Statement of Ethical Professional Practice standards?
- a. Reliability
 - b. Confidentiality
 - c. Integrity
 - d. Credibility

Ans: A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

132. In applying the Standards of Ethical Professional Practice, when faced with ethical issues, you should
- Follow your organization's established policies on the resolution of such conflict.
 - Hire a professional investigator to resolve the conflict.
 - Contact the authorities immediately.
 - Ignore the conflict to give it time to resolve itself.

Ans: A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Easy, Min: 2, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Answers to Multiple Choice Questions

Item	Ans	Item	Ans	Item	Ans	Item	Ans	Item	Ans
33.	D	53.	C	73.	C	93.	D	113.	D
34.	B	54.	D	74.	C	94.	B	114.	D
35.	A	55.	B	75.	B	95.	C	115.	A
36.	B	56.	C	76.	A	96.	B	116.	D
37.	D	57.	D	77.	B	97.	A	117.	D
38.	D	58.	A	78.	A	98.	D	118.	A
39.	A	59.	B	79.	C	99.	C	119.	B
40.	D	60.	A	80.	B	100.	C	120.	C
41.	C	61.	B	81.	A	101.	C	121.	D
42.	B	62.	B	82.	B	102.	B	122.	C
43.	D	63.	C	83.	C	103.	C	123.	C
44.	A	64.	A	84.	B	104.	A	124.	A
45.	C	65.	C	85.	C	105.	D	125.	C
46.	B	66.	B	86.	D	106.	C	126.	A
47.	D	67.	C	87.	D	107.	D	127.	B
48.	C	68.	D	88.	B	108.	B	128.	D
49.	A	69.	B	89.	A	109.	A	129.	C
50.	C	70.	C	90.	D	110.	D	130.	C
51.	B	71.	D	91.	A	111.	B	131.	A
52.	A	72.	A	92.	D	112.	C	132.	A

Matching

133. Match the following terms to the appropriate statement by placing the letter to the left of each statement.

- | | |
|---------------------------------------|--|
| a. Balanced Scorecard | g. Generally Accepted Accounting Principles (GAAP) |
| b. Code of conduct | h. Just-in-time inventory |
| c. Controlling | i. Long-term planning |
| d. Enterprise Resource Planning (ERP) | j. Managerial accounting |
| e. Ethical behavior | k. Short-term planning |
| f. Evaluating | l. Supply chain |

- _____ 1. Based on a set of core values that are meant to guide employees' behavior.
- _____ 2. Task managers use to assess how well employees have performed relative to expectations.
- _____ 3. Rules that govern how transactions are valued and recorded and how information about them is presented.
- _____ 4. The generation of relevant information and analysis to support managers decision making activities.
- _____ 5. A tool that managerial accountants have developed to assist in monitoring organizational performance.
- _____ 6. A system to accumulate data and provide information to decisions makers on a company-wide basis.
- _____ 7. Also referred to as strategic planning.
- _____ 8. A network of facilities that procure raw materials, transform them into intermediate goods and then into final products, and deliver the final products to customers through a distributions system.
- _____ 9. The monitoring of day-to-day operations to identify any problems that require corrective action.
- _____ 10. Knowing right from wrong and conducting oneself accordingly.
- _____ 11. An inventory strategy that focuses on reducing waste and inefficiency by ordering inventory items so that they arrive just when they are needed.
- _____ 12. Also referred to as operational planning.

Ans: N/A, LO: 1,2,3,4,5, Bloom: K, Unit 1-1,1-2,1-3, Difficulty: Moderate, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

- 1. B – Code of conduct
- 2. F – Evaluating
- 3. G – Generally accepted accounting principles
- 4. J – Managerial accounting
- 5. A – Balanced scorecard
- 6. D – ERP
- 7. I – Long-term planning
- 8. L – Supply chain
- 9. C – controlling
- 10. E – Ethical behavior

- 11. H – Just-in-time inventory
- 12. K – short-term planning

Brief Exercises

134. Indicate which of the following users are classified as internal versus external users.

	Internal	External
a. Plant superintendent		
b. Banker		
c. Internal Revenue Service		
d. Warehouse manager		
e. Potential investor		

Ans: N/A, LO: 2, Bloom: AP, Unit 1-1, Difficulty: Moderate, Min: 10, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

- a Internal
- b External
- c External
- d Internal
- e External

135. List four differences in managerial and financial accounting.

Ans: N/A, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 10, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

1. Primary users of managerial accounting are internal while primary users of financial accounting are external users.
2. Managerial accounting does not have mandated rules while financial accounting must adhere to GAAP.
3. Managerial accounting reporting units include organizational segments while financial accounting reports on the organization as a whole.
4. Managerial accounting uses past results and projects future results while financial accounting reports on past results but does not project future results.
5. Managerial accounting reports are prepared on an "as needed" basis while financial accounting reports are prepared after the end of an accounting period.

- 136.** Managerial accounting is designed to assist managers with four general activities: planning, controlling, evaluating and decision making. Give two examples of each type of activity for a furniture manufacturer.

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Moderate, Min: 12, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

Solution: Answers will vary. Common examples may include the following.

Planning:

Setting and implementing long-term goals, preparing budgets, adopting strategies or implementing short-term or operational goals.

Controlling:

Monitoring day-to-day operations, monitoring quality of furniture manufactured, ensuring that inventory is on hand to manufacture furniture, or monitoring customer satisfaction.

Evaluating:

Correcting problems found during control activities such as evaluating quality of wood used in furniture, comparing actual and planned results such as comparing actual output with budgeted output, or reviewing sales history of sales staff

Decision-making:

Choosing a course of action such as adding or dropping a product line, increasing or reducing employee level, purchasing new equipment, or expanding sales territory.

- 137.** Two ways to develop a competitive advantage is through product differentiation and low-cost production. How does a company set itself apart from competitors under each strategy?

Ans: N/A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Easy, Min: 8, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

Solution:

If a company follows a strategy of product differentiation, it will seek ways to set its products apart from its competitors in terms of quality, design or service.

Under a low-cost production strategy, the company will set itself apart from competitors in terms of a lower sales price.

- 138.** Two ways to develop a competitive advantage is through product differentiation and low-cost production. List three examples of managerial accounting information a company might need to monitor each of these strategies.

Ans: N/A, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Difficult, Min: 12, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

Solution: Answers will vary. Common examples may include the following.

Product Differentiation

Defect rates
Percentage of on-time deliveries
Customer satisfaction
Competitor actions
Product cost

Low-Cost Production

Product process
Product quality
Product cost
Competitor actions

- 139.** For each statement below, indicate the management tool being implemented.

	JIT	ERP	Supply Chain Management	Balanced Scorecard
1. A company places equal emphasis on financial and non-financial performance measures.				
2. Goal is to get the right product to the right location, in the right quantities, at the right time, and at the right cost.				
3. Performance measures are grouped into financial, customer, internal business processes, and learning and growth categories.				
4. Focuses on reducing waste and inefficiency				
5. Examples of such a system include SAP and Oracle				

Ans: N/A, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Moderate, Min: 10, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

Solution:

	JIT	ERP	Supply Chain Management	Balanced Scorecard
1. A company places equal emphasis on financial and non-financial performance measures.				x
2. Goal is to get the right product to the right location, in the right quantities, at the right time, and at the right cost.			x	

3. Performance measures are grouped into financial, customer, internal business processes, and learning and growth categories.				x
4. Focuses on reducing waste and inefficiency	x			
5. Examples of such a system include SAP and Oracle		x		

140. For each of the statements below indicate which approach to market share growth is being used.

	Build	Hold	Harvest	Divest
1. With this strategy, a company focuses on short-term profits and cash, even at the expense of market share.				
2. This strategy is appropriate when a company desires to exit a particular market.				
3. Under this strategy, a company seeks to maintain its current market share and general a reasonable return on investment				
4. Under this strategy, a company aims to increase its market share and competitive position relative to others in the industry, even at the expense of short-term earnings and cash flow.				
5. To monitor this strategy, managers will want to know about gross margin and cash sales				

Ans: N/A, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Moderate, Min: 10, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Strategic Planning

Solution:

	Build	Hold	Harvest	Divest
1. With this strategy, a company focuses on short-term profits and cash, even at the expense of market share.			x	
2. This strategy is appropriate when a company desires to exit a particular market.				x
3. Under this strategy, a company seeks to maintain its current market share and general a reasonable return on investment		x		
4. Under this strategy, a company aims to increase its market share and competitive position relative to others in the industry, even at the expense of short-term earnings and cash flow.	x			
5. To monitor this strategy, managers will want to know about gross margin and cash sales			x	

141. List the three tests of an ethical business decision posed by the Institute of Business Ethics.

Solution:

1. Do I mind others knowing what I have done?
2. Who does my decision affect or hurt?
3. Would my decision be considered fair by those affected?

Ans: N/A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Easy, Min: 8, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

142. For each of the statements relating to a typical supply chain, indicate which type of decision is involved.

	Sourcing	Production	Inventory	Logistics
1. How large should my shipments be?				
2. When do I need to order inventory so that it will arrive on time?				
3. How much product do I need to order?				
4. How much capacity should I build into my production facility?				
5. What transportation option should I choose to have products delivered to me?				

Ans: N/A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Difficult, Min: 12, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

Solution:

	Sourcing	Production	Inventory	Logistics
1. How large should my shipments be?				x
2. When do I need to order inventory so that it will arrive on time?			x	
3. How much product do I need to order?	x			
4. How much capacity should I build into my production facility?		x		
5. What transportation option should I choose to have products delivered to me?	x			

- 143.** List the four standards that guide a management accountant's conduct as specified by the IMA Statement of Ethical Professional Practice and give two responsibilities under each standard.

Ans: N/A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 15, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Solution:

1. Competence
 - a. Maintain an appropriate level of professional expertise by continually developing knowledge and skills
 - b. Perform professional duties in accordance with relevant laws, regulations, and technical standards
 - c. Provide decision support information and recommendations that are accurate, clear, concise, and timely.
 - d. Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
2. Confidentiality
 - a. Keep information confidential except when disclosure is authorized or legally required.
 - b. Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates' activities to ensure compliance.
 - c. Refrain from using confidential information for unethical or illegal advantage.
3. Integrity
 - a. Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.
 - b. Abstain from engaging in or supporting any activity that might discredit the profession.
4. Credibility
 - a. Communicate information fairly and objectively.
 - b. Disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.
 - c. Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.

Exercises

144. Michael Mounts owns several used book stores in Cleveland, MS. Identify each of the following actions he performs as a planning, controlling, evaluating or decision making activity:

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Moderate, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

	Planning	Controlling	Evaluating	Decision Making
1. Michael prepares a budget for the next year.				
2. Michael orders shelving to replace some old shelving.				
3. Michael reviews his income statement for the month				
4. Michael prepares an annual performance review for his sales clerk				
5. Michael fires an employee who is consistently late.				
6. Michael investigates adding an on-line sales division.				
7. Michael puts a new 401-K benefit plan into effect for employees.				
8. Michael determines how many books he can add when new shelves are installed.				
9. Michael reconciles cash with cash register tapes at the end of each day.				
10. Michael decides to implement a code of conduct for all employees.				

Solution:

	Planning	Controlling	Evaluating	Decision Making
1. Michael prepares a budget for the next year.	x			
2. Michael orders shelving to replace some old shelving.		x		
3. Michael reviews his income statement for the month			x	
4. Michael prepares an annual performance review for his sales clerk			x	
5. Michael fires an employee who is consistently late.				x
6. Michael investigates adding an on-line sales division.	x			
7. Michael puts a new 401-K benefit plan into effect for employees.				x
8. Michael determines how many books he can add when new shelves are installed.	x			
9. Michael reconciles cash with cash register tapes at the end of each day.		x		
10. Michael decides to implement a code of conduct for all employees.	x			

145. Lilly Grant owns an ice cream shop in Marigold, MS. Identify each of the following actions she performs as a planning, controlling, evaluating or decision making activity:

	Planning	Controlling	Evaluating	Decision Making
1. Lilly meets with her sales staff to discuss long-range planning strategies.				
2. Lilly prepares a mission, values, and vision statement for her company.				
3. Lilly monitors the ice cream machine to make sure it is working properly				
4. Lilly checks her inventory of toppings to ensure that enough toppings are in stock.				
5. Lilly fires an employee who has been giving her friends banana splits without charging them.				
6. Lilly adjusts the timer on her ice cream machine because the ice cream has been too soft				
7. Lilly puts a new 401-K benefit plan into effect for her employees.				
8. Lilly compares her budgeted sales to her actual sales for the period.				
9. Lilly evaluates her employees pay rates.				
10. Lilly meets with her CPA to discuss a succession plan for when she retires.				

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Difficult, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

Solution:

	Planning	Controlling	Evaluating	Decision Making
1. Lilly meets with her sales staff to discuss long-range planning strategies.	x			
2. Lilly prepares a mission, values, and vision statement for her company.	x			
3. Lilly monitors the ice cream machine to make sure it is working properly		x		
4. Lilly checks her inventory of toppings to ensure that enough toppings are in stock.		x		
5. Lilly fires an employee who has been giving her friends banana splits without charging them.				x
6. Lilly adjusts the timer on her ice cream machine because the ice cream has been too soft		x		
7. Lilly puts a new 401-K benefit plan into effect for her employees.				x
8. Lilly compares her budgeted sales to her actual sales for the period.			x	
9. Lilly evaluates her employees pay rates.			x	
10. Lilly meets with her CPA to discuss a succession plan for when she retires.	x			

146. Kristin West owns an car wash in Clinton, MS. Identify each of the following actions she performs as a planning, controlling, evaluating or decision making activity:

	Planning	Controlling	Evaluating	Decision Making
1. Kristin prepares a budget for the next quarter				
2. Kristin replaces an old vacuum with a more energy efficient model				
3. Kristin looks at her cash flow statement for the last quarter to analyze her cash receipts and disbursements.				
4. Kristin checks the change machine to make sure it is dispensing the correct change.				
5. Kristin fires an employee who has been stealing supplies from the storeroom.				
6. Kristin adjusts the timer on the rinse cycle to save water.				
7. Kristin implements a new bonus plan where employees can earn prizes for cost-saving ideas.				
8. Kristin compares her budgeted expenses to her actual expenses for the period.				
9. Kristin works on a code of conduct for the company.				
10. Kristin prepares a five-year strategic plan.				

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Difficult, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

Solution:

	Planning	Controlling	Evaluating	Decision Making
1. Kristin prepares a budget for the next quarter	x			
2. Kristin replaces an old vacuum with a more energy efficient model				X
3. Kristin looks at her cash flow statement for the last quarter to analyze her cash receipts and disbursements.			x	
4. Kristin checks the change machine to make sure it is dispensing the correct change.			x	
5. Kristin fires an employee who has been stealing supplies from the storeroom.				X
6. Kristin adjusts the timer on the rinse cycle to save water.		x		
7. Kristin implements a new bonus plan where employees can earn prizes for cost-saving ideas.				X
8. Kristin compares her budgeted expenses to her actual expenses for the period.			x	
9. Kristin works on a code of conduct for the company.	x			

10. Kristin prepares a five-year strategic plan.	x			
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147. For each statement below, indicate the management tool being implemented.

	JIT	ERP	Supply Chain Management	Balanced Scorecard
1. The selection of performance measures is driven by the organization's strategy.				
2. Goal is to get the right product to the right location, in the right quantities, at the right time, and at the right cost.				
3. In implementing this system, managers develop a strategy for managing all the resources needed to meet customer demand.				
4. This strategy greatly reduces warehousing costs.				
5. Examples of such a system include SAP and Oracle				
6. This strategy focuses on reducing waste and inefficiency by ordering inventory items so that they arrive just when they are needed.				
7. A collection of performance measures that track an organization's progress toward achieving its goals.				
8. In the 1950s, this strategy's roots can be traced back to Henry Ford.				
9. A network of facilities that procure raw materials, transform them into intermediate goods and then into final products.				
10. Developed in the early 1990s by David Norton and Robert Kaplan				

Ans: N/A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

Solution:

	JIT	ERP	Supply Chain Management	Balanced Scorecard
1. The selection of performance measures is driven by the organization's strategy.				X
2. Goal is to get the right product to the right location, in the right quantities, at the right time, and at the right cost.			x	
3. In implementing this system, managers develop a strategy for managing all the resources needed to meet customer demand.			x	
4. This strategy greatly reduces warehousing costs.	x			
5. Examples of such a system include SAP and Oracle		x		
6. This strategy focuses on reducing waste and inefficiency by ordering inventory items so that they arrive just when they are needed.	x			
7. A collection of performance measures that track an organization's progress toward achieving its goals.				X
8. In the 1950s, this strategy's roots can be traced back to Henry Ford.	x			
9. A network of facilities that procure raw materials, transform them			x	

into intermediate goods and then into final products.				
10. Developed in the early 1990s by David Norton and Robert Kaplan				X

148. For each of the statements relating to a typical supply chain, indicate which type of decision is involved.

	Sourcing	Production	Inventory	Logistics
1. Which suppliers do I want to use?				
2. How large should my shipments be?				
3. Do I want to make my product or buy it from someone else and just resell it?				
4. What level of quality do I need in my materials and component parts?				
5. How much inventory do I need to keep on hand to meet customer demand?				
6. Do I want to produce a product that is a low cost leader or a differentiated product				
7. What is the best mode of transportation to get my product to my customers?				
8. How much product do I need to order?				
9. When do I need to order inventory so that it will arrive on time?				
10. Should I implement a just in time inventory system?				

Ans: N/A, LO: 4, Bloom: C, Unit 1-2, Difficulty: Moderate, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

Solution:

	Sourcing	Production	Inventory	Logistics
1. Which suppliers do I want to use?	X			
2. How large should my shipments be?				x
3. Do I want to make my product or buy it from someone else and just resell it?		x		
4. What level of quality do I need in my materials and component parts?	X			
5. How much inventory do I need to keep on hand to meet customer demand?			x	
6. Do I want to produce a product that is a low cost leader or a differentiated product		x		

7.	What is the best mode of transportation to get my product to my customers?				X
8.	How much product do I need to order?	X			
9.	When do I need to order inventory so that it will arrive on time?			x	
10.	Should I implement a just in time inventory system?			x	

149. Indicate which of the following users are classified as internal versus external users.

	Internal	External
1. Purchasing manager		
2. Potential investor		
3. Internal Revenue Service		
4. Inventory control manager		
5. Supplier		
6. Quality control manager		
7. Chief financial officer		
8. Banker		
9. Warehouse manager		
10. Payroll supervisor		

Ans: N/A, LO: 2, Bloom: AP, Unit 1-1, Difficulty: Moderate, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

	Internal	External
1. Purchasing manager	x	
2. Potential investor		x
3. Internal Revenue Service		x
4. Inventory control manager	x	
5. Supplier		X
6. Quality control manager	X	
7. Chief financial officer	X	
8. Banker		x
9. Warehouse manager	X	
10. Payroll supervisor	x	

150. Indicate which of the following statements relate to financial accounting versus managerial accounting.

	Financial	Managerial
1. Must adhere to generally accepted accounting principles.		
2. Primary users are external.		
3. Past results and projected future results.		
4. Reports prepared after the end of an accounting period.		
5. Statements contained in annual reports.		
6. Reports benefit internal users.		
7. Reports come in a variety of formats, designed for the decision maker		
8. Information not disseminated to the general public		
9. Communicates information about the financial health of the company.		
10. Includes information prepared for a range of decision makers within the organization.		

Ans: N/A, LO: 2, Bloom: C, Unit 1-1, Difficulty: Moderate, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

	Financial	Managerial
1. Must adhere to generally accepted accounting principles.	x	
2. Primary users are external.	X	
3. Past results and projected future results.		X
4. Reports prepared after the end of an accounting period.	X	
5. Statements contained in annual reports.	X	
6. Reports benefit internal users.		X
7. Reports come in a variety of formats, designed for the decision maker		X
8. Information not disseminated to the general public		X
9. Communicates information about the financial health of the company.	X	
10. Includes information prepared for a range of decision makers within the organization.		x

151. In each of the following situations, identify whether the setting is primarily financial accounting or managerial accounting.
- a. Abba Company purchased a new telephone system costing \$132,000 for its sales division. The new phone system will be depreciated using the straight-line method over a period of five years and has an estimated salvage value of \$5,000.
 - b. Bandex Company has had several customers who are experiencing the negative effects of the downturn in the economy. As a result, the company believes its allowance for doubtful accounts should be increased from 1% of credit sales to 1.5% of credit sales.
 - c. Cortez, Inc. has experienced a decline in net income over the past three years. The engineering department is considering redesigning a product to eliminate waste and inefficiency in the production process.
 - d. The sales manager of Decca Corporation believes one salesman is creating fictitious sales to inflate his commission. The sales manager has asked the controller for a detailed report of sales by salesman.
 - e. Essex, Inc. executives are meeting to analyze the company's actual results compared to budgeted amounts.

Ans: N/A, LO: 2, Bloom: E, Unit 1-1, Difficulty: Difficult, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

Solution:

- a. Financial
- b. Financial
- c. Managerial
- d. Managerial
- e. Managerial

152. In each of the following situations, identify whether the setting is primarily financial accounting or managerial accounting.
- a. Falcon Company sent its annual report to its stockholders.
 - b. Genesis, Inc.'s controller sent a report of actual versus budgeted sales figures to the sales manager.
 - c. Hurtz Rent-All Company determines that its investments have declined in value and should be adjusted.
 - d. Inca, Inc. controller suspects that cash is being stolen by a sales clerk. As a result she prepares an analysis to compare each sales clerk's collections for each day.
 - e. Jones Company executives are meeting to review the annual report to be submitted to the SEC.

Solution:

- a. Financial
- b. Managerial
- c. Financial
- d. Managerial
- e. Financial

Ans: N/A, LO: 2, Bloom: E, Unit 1-1, Difficulty: Moderate, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

153. For each of the following measures that could be incorporated into a balanced scorecard, identify which of the four balanced scorecard perspectives it would most likely belong to.
- a. Earnings per share
 - b. Prototype of redesigned product
 - c. Addition of athletic facility for employees
 - d. Number of customer complaints handled
 - e. Net sales
 - f. Number of new customers
 - g. Number of defective units identified in quality control division
 - h. Day care center on site
 - i. Professional development seminars conducted for sales staff
 - j. Recognized by local Chamber of Commerce as Business of the year

Solution:

- a. Financial
- b. Internal Business Processes
- c. Learning and Growth
- d. Customers
- e. Financial
- f. Customers
- g. Internal Business Processes
- h. Learning and Growth
- i. Learning and Growth
- j. Internal Business Processes

Ans: N/A, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Moderate, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

154. For each of the following measures that could be incorporated into a balanced scorecard, identify which of the four balanced scorecard perspectives it would most like belong to.
- a. New employee training session
 - b. Number of positive responses received from customer surveys
 - c. Number of customer complaints handled by phone during month
 - d. Gross profit
 - e. Number of new products introduced during past year
 - f. Number of defective units identified in quality control division
 - g. Training on new equipment purchased
 - h. Number of deliveries made within proscribed time frame
 - i. Professional development seminars conducted for sales staff
 - j. Recognized by major supplier as Customer of the Year

Solution:

- a. Learning and Growth
- b. Customers
- c. Customers
- d. Financial
- e. Internal Business Processes
- f. Internal Business Processes
- g. Learning and Growth
- h. Customers
- i. Internal Business Processes
- j. Learning and Growth

Ans: N/A, LO: 4, Bloom: AP, Unit 1-2, Difficulty: Difficult, Min: 20, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Communication, IMA: Performance Measurement

155. Managerial accounting information is not just for accountants. All areas within an organization can use the information to support decision making. For the following positions, list three decisions the manager might have to make and give an example of a report that would help the manager in the decision making process.
- Plant manager
 - Vice-President of sales
 - Inventory supervisor

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Moderate, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

Solution: Answers will vary. Common examples may include the following.

a. Plant manager

Do we need to replace a piece of production equipment? Report of units by machine showing number of units produced, number of hours machine operated, number of break-downs, and number of defective units.

Do we need to increase inventory levels? Report of current inventory levels, inventory needs for orders received but not in production yet, analysis of vacant space in storeroom.

Do we fire an employee suspected of slacking on the job? Report of time logged by employee, number of days missed, summary of supervisor evaluations.

b. Vice-President of sales

Do we expand territory into another state? Market analysis for new territory, summary of competitors expected to be in new territory, filing requirement (such as fees, taxes, etc to state agencies), analysis of current sales managers' territories,.

Do we need to add a new sales manager for the current territory? Analysis of sales by territory.

Do we need to increase advertising? Analysis of competitor activities, analysis of budgeted advertising expense

c. Inventory supervisor

Do we need to increase inventory levels? Analysis of number and type of requisitions for inventory.

Do we need to purchase new fork lift? Report of repair costs for current fork lift.

Do we need to have more security over inventory? Report of inventory write-downs due to theft, report of possible security measures with costs analysis of each.

156. Managerial accounting information is not just for accountants. All areas within an organization can use the information to support decision making. For the following positions, list three decisions the manager might have to make and give an example of a report that would help the manager in the decision making process.

- a. Human resources manager
- b. Purchasing manager
- c. Engineering department

Ans: N/A, LO: 3, Bloom: AP, Unit 1-1, Difficulty: Difficult, Min: 15, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

Solution: Answers will vary. Common examples may include the following.

- a. Human resources manager
 - Is pay equitable for similar positions? Report of employee salaries by position.
 - Are the salaries paid correct? Report of authorized salaries and gross salaries by employee.
 - Are any individuals being paid twice? Report of employees showing social security number, address, name, date hired, and authorized hiring personnel.
- b. Purchasing manager
 - Have all orders been received? Report of open purchase orders.
 - Have all orders been placed? Report of requisitioned materials.
- c. Engineering department
 - Is quality of material acceptable? Report of defective units
 - Does engineering software need to be updated? Analysis of cost of software company support costs.
 - Does product meet regulatory specifications? Analysis of regulatory requirements.

Short Answer

- 157.** Define managerial accounting and explain how managerial accounting information helps managers do their jobs.

Solution:

Managerial accounting is defined by the IMA as the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources.

Simply put, managerial accounting is the generation of relevant information and analysis to support managers' decision making activities.

Good managerial accounting information helps managers to do their jobs more efficiently and effectively. A large part of a manager's job is decision making. To make the best decisions possible, managers need a wealth of good information. Much of that information will be the product of a managerial accounting system.

Ans: N/A, LO: 1, Bloom: E, Unit 1-1, Difficulty: Moderate, Min: 15, AACSB: Reflective Thinking, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

- 158.** Compare and contrast strategic planning and operational planning.

Solution:

Both strategic planning and operational planning are planning activities, one of the four general activities of managers. Strategic planning relates to long-term planning while operational planning is another name for short-term planning. Strategic planning establishes the direction in which an organization wishes to go. Many organizations prepare a formal strategic plan that provides direction for a five- to ten-year period. Operational planning translates the long-term strategy into a short-term plan to be completed within the next year. One of the primary products of operational planning is likely a budget that specifies how resources will be spent to achieve the organizational goals.

Ans: N/A, LO: 3, Bloom: C, Unit 1-1, Difficulty: Easy, Min: 15, AACSB: Reflective Thinking, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

- 159.** Managerial accounting is designed to assist managers with four general activities. List the activities and give an example of each.

Solution: Answers will vary. Common examples may include the following.

Planning – Preparing a budget

Controlling – Monitoring day-to-day operations

Evaluating – Assessing how well employees are performing

Decision making – Selecting the best option for employee health care plan

Ans: N/A, LO: 3, Bloom: C, Unit 1-1, Difficulty: Easy, Min: 12, AACSB: Communication, AICPA FN: Reporting, AICPA PC: Problem Solving and Decision Making, IMA: Decision Analysis

- 160.** List three reasons why it is important for a company to have a written code of conduct.

Solution: Answers will vary. Common examples may include the following.

- a. It provides the core values of the company
- b. It guides employees in their behavior
- c. It may be required by the Sarbanes-Oxley Act

Ans: N/A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 10, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

- 161.** What are the requirements Section 406 of the Sarbanes-Oxley Act regarding publicly traded company's code of conduct?

Solution:

- a. Companies must disclose whether the “principal, executive officer, principal, financial officer, principal accounting officer or controller, or persons performing similar functions” are subject to a corporate code of ethics.
- b. The code must be published in the annual report or on the corporate website, or provided without charge upon request.
- c. Companies must disclose all instances in which these codes have been waived for a particular individual as well as all changes to the code
- d. A company that does not have a written code of ethics is required to publish a disclosure explaining why no code has been adopted.

Ans: N/A, LO: 5, Bloom: K, Unit 1-3, Difficulty: Moderate, Min: 15, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Essay

- 162.** Assume your roommate is a management major and must take this course next semester. You have explained some of the things you have learned thus far, but your roommate states, “I don’t know why I would need to know anything about managerial accounting! I am not an accounting major and will NEVER be preparing any managerial accounting reports. As long as I make a profit for the company I will work for, who cares what the accountants’ reports say?” How would you respond?

Solution:

Managerial accounting helps managers in their decision making activities. Managerial accounting information helps managers do their jobs more efficiently and effectively. Managerial accounting reports are not constrained by GAAP and can provide information in various formats and at whatever detailed level a manager needs. Since internal users have access to all of the underlying data, they can create reports that suit their particular decision making needs. Managerial accounting reports not only provide information to managers from historical information but helps managers make decisions that will affect the company’s future by projecting the results of certain decisions.

Ans: N/A, LO: 1, Bloom: E, Unit 1-1, Difficulty: Moderate, Min: 20, AACSB: Reflective Thinking, AICPA FN: Reporting, AICPA PC: Communication, IMA: Reporting

- 163.** A key component of a positive ethical environment is “tone at the top.” Discuss what this term means, why this is a key component, and give three examples of consequences when the “tone at the top” is not positive.

Solution: Answers will vary. Common examples may include the following.

Tone at the top means management’s commitment to ethical behavior. It is a key component because, if employees are to act ethically, managers must not only “talk the talk” but “walk the walk”. Employees who witness managers engaging in unethical behavior will assume that while the company may have a corporate code of ethics, it does not really matter. Three examples of what might be that employee morale will be low, employee or executive misconduct may lead to fines for the company or civil or criminal penalties, and lost profits.

Ans: N/A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 20, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

- 164.** Your boss has asked you to lead a committee to develop a code of conduct for the company. Write a memo to the committee members to schedule your first meeting. In your memo list the six components you believe are most important to be included in the code and explain why.

Ans: N/A, LO: 5, Bloom: S, Unit 1-3, Difficulty: Moderate, Min: 30, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Solution: Answers will vary.

January 15, 20xx

To: Code of Conduct committee members

From: Student Name

Subject: Preparation for first meeting in two weeks

Thank you for agreeing to serve on the committee to develop a code of conduct for our company. This is a daunting task, but one that will benefit the company and employees. Our first meeting will be in two weeks. Please be prepared to contribute your thoughts and ideas on what we should incorporate into the code.

I have listed six items below that many companies include in the document. At our first meeting we will expand this list to incorporate the things the committee deems to be appropriate for our particular needs. I look forward to working with each of you and will be respectful of the time and effort you are giving to this project.

(Examples of items)

Workplace Harassment

Equal Opportunity

Diversity

Fair Treatment of Employees

Discrimination

Disclosure of Information

Commitment to the Environment

- 165.** The Institute of Management Accountants (IMA) and many other professional organizations have a code of conduct to direct the membership's ethical behavior. Discuss the standards that guide the conduct of members of the IMA.

Ans: N/A, LO: 5, Bloom: C, Unit 1-3, Difficulty: Moderate, Min: 30, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Solution:

Competence

Maintain an appropriate level of professional expertise by continually developing knowledge and skills

Perform professional duties in accordance with relevant laws, regulations, and technical standards

Provide decision support information and recommendations that are accurate, clear, concise, and timely.

Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.

Confidentiality

Keep information confidential except when disclosure is authorized or legally required.

Inform all relevant parties regarding appropriate use of confidential information. Monitor subordinates' activities to ensure compliance.

Refrain from using confidential information for unethical or illegal advantage.

Integrity

Mitigate actual conflicts of interest. Regularly communicate with business associates to avoid apparent conflicts of interest. Advise all parties of any potential conflicts.

Abstain from engaging in or supporting any activity that might discredit the profession.

Credibility

Communicate information fairly and objectively.

Disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, analyses, or recommendations.

Disclose delays or deficiencies in information, timeliness, processing, or internal controls in conformance with organization policy and/or applicable law.

- 166.** The Institute of Management Accountants (IMA) and many other professional organizations have a code of conduct to direct the membership's ethical behavior. The IMA standards include competence, confidentiality, integrity, and credibility. For each standard, give a situation in which the code of conduct will help a management accounting in his or her decision making.

Ans: N/A, LO: 5, Bloom: E, Unit 1-3, Difficulty: Difficult, Min: 25, AACSB: Ethics, AICPA FN: Reporting, AICPA PC: Communication, IMA: Business Applications

Solution: Answers will vary. Common examples may include the following.

Competence

Management accountants should maintain an appropriate level of professional expertise. They should attend seminars and conferences relevant to the industry in which they work in order to maintain knowledge of accounting principles and practices appropriate to the industry.

Confidentiality

Management accountants should refrain from using confidential information for unethical or illegal advantage. They should not participate in insider trading or other unethical practices.

Integrity

Management accountants should refrain from engaging in any conduct that would prejudice carrying out duties ethically. They should avoid conflicts of interest where that interest might influence their decision making ability. For example, they should purchase supplies based on quality or price rather than purchasing from a supplier only because a relative works there.

Credibility

Management accountants should communicate information fairly and objectively. They should not hide bad news or tweak reports to bias a particular individual or department.