Homework 1: Chapter 1 and Chapter

1. Multiple Choice Question:

1) Which of the following management responsibilities often involves the use of budgets?

a. Planning

b. Directing

c. Controlling

d. None of the above

2) Managerial accounting differs from financial accounting in that managerial accounting

a. is used primarily by external decision makers.

b. is required by Generally Accepted Accounting Principles (GAAP).

c. tends to report on the company as whole rather than segments of the company.

d. emphasizes data relevance over data objectivity

3) Which of the following corporate positions is responsible for raising capital and investing funds?

a. Controller

b. Treasurer

c. Internal audit

d. Chief operating officer (COO)

4) Of the following skills, which are needed by today’s management accountants?

a. Knowledge of both financial and managerial accounting

b. Knowledge of how a business functions

c. Oral and written communication skills

d. All of the above

5) Which of the following organizations is the professional association for management accountants?

a. AICPA

b. IMA

c. IFRS

d. FASB

6) Which of the following requires the company’s CEO and CFO to assume responsibility for the company’s financial statements and disclosures?

a. Sarbanes-Oxley Act of 2002 (SOX)

b. International Financial Accounting Standards (IFRS)

c. Extensible Business Reporting Language (XBRL)

d. Lean operations

7) Which of the following is false?

a. Lean operations is a philosophy and business strategy of operating without waste.

b. Globalization has increased the necessity for more detailed and accurate cost information.

c. TQM is a standardized coding system used to tag financial and business data so that it can be read by computer programs.

d. ERP systems integrate information from all company functions into a centralized data warehouse.

8) Which of the following types of companies would carry raw materials, work in progress, and finished goods inventory?

a. Service

b. Merchandising

c. Manufacturing

d. All of the above

9) A cost that can be traced to a cost object is known as a

a. direct cost.

b. indirect cost.

c. period cost.

d. inventoriable product cost.

10) Period costs are often referred to as

a. Selling, general, and administrative expenses.

b. Operating expenses.

c. both Selling, general, and administrative expenses and Operating expenses.

d. neither Selling, general, and administrative expenses nor Operating expenses.

11) Prime costs consist of

a. direct material and manufacturing overhead.

b. direct labor and manufacturing overhead.

c. direct materials and direct labor.

d. direct materials, direct labor, and manufacturing overhead.

12) Which of the following is not part of manufacturing overhead?

a. Indirect materials, such as machine lubricants

b. Indirect labor, such as forklift operators’ wages

c. Other indirect manufacturing costs, such as plant utilities

d. Period costs, such as depreciation on office computers

13) Which of the following types of companies will always

a. Service and merchandising companies

b. Merchandising and manufacturing companies

c. Service and manufacturing companies

d. Service, merchandising, and manufacturing companies

14) Which of the following is false?

a. Sunk costs are generally relevant to decisions.

b. The difference in cost between two alternatives is known as a differential cost.

c. Uncontrollable costs are costs over which the company has little or no control in the short run.

d. Sunk costs are costs that have already been incurred.

15) Which of the following is false?

a. Fixed costs stay constant in total over a wide range of activity levels.

b. Direct materials are considered to be variable costs.

c. The average cost per unit is valid of predicting total costs at many different output levels.

d. Manufacturing overhead is a mixture of fixed and variable costs.

2. Determine whether each of the following statements is true or false:

1) Managers’ three primary responsibilities are planning, directing, and controlling.

2) Management accounting is geared toward external stakeholders, such as investors and creditors.

3) Management accountants often work in cross-functional teams throughout the organization.

4) The internal audit function reports to the audit committee of the board of directors.

5) Management accountants are now more often looked upon as internal business advisors, rather than “bean counters” recording historical transactions.

6) Management accountants should be technically proficient, but they don’t need strong oral and written communication skills.

7) Management accountants should be proficient in Excel

8) The AICPA issues the CMA certification.

9) The Sarbanes-Oxley Act of 2002 (SOX) imposes stricter requirements over financial reporting and internal controls and stricter consequences for those who engage in financial statement misconduct and other white-collar crimes.

10) U.S companies that have operations overseas must use the International Financial Reporting Standards (IFRS) to issue their financial statements.

11) Extensible Business Reporting Language (XBRL) is a standardized coring system that allows financial information to be “tagged” so that it can be read by computer programs.

12) The triple bottom line assesses company performance on three factors: people (social impact), planet (environmental impact), and profit (economic impact).

13) The globalization of business has little bearing on management accounting.

14) Computer systems that integrate all of a company’s worldwide functions into one database are known as Integrated Worldwide Systems (IWSs).

15) Lean thinking focuses on eliminating waste from operations in an effort to reduce costs.

16) The ISO 9001:2008 certification focuses on environmental management.

3. Calculation

Compute Cost of Goods Sold for Ralph’s Sporting Goods, a merchandising company, given the following information:

Advertising expense: $ 25,000

Purchases of merchandise: $ 400,000

Salaries expense: $ 80,000

Freight-in and import duties: $ 20,000

Lease of store: $ 75,000

Beginning inventory: $ 35,000

Ending inventory: $ 38,000