**CHAPTER 1**

**COST ACCOUNTING HAS PURPOSE**

**CHAPTER LEARNING OBJECTIVES**

1. Explore the elements that support a company’s purpose, as well as your own.

2. Connect the purpose of cost accounting with the role of accountants in organizations.

3. Outline the frameworks, including ethics, that guide the profession.

\*4. Increase your chances of success by becoming a lifelong learner.

## Current count is:

## Knowledge: 106

## Comprehension: 5

## Application: 0

## Analysis: 0

## Evaluation: 0

## Synthesis: 0

## Total: 111

## Number and percentage of questions:

## Easy: 27 questions, 24 percent (target of 25%)

## Medium: 74 questions, 66 percent (target of 65%)

## Hard: 10 questions, 9 percent (target of 10%)

## Question types:

## Multiple Choice: 93

## Exercises: 18

## MULTIPLE CHOICE QUESTIONS

1. A \_\_\_\_\_\_\_\_\_\_\_\_\_ helps an organization, whether for profit or nonprofit, turn its purpose into action by establishing the direction of the entity.
   1. mission statement
   2. strategic plan
   3. SWOT analysis
   4. vision

Ans: B, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A strategic plan helps an organization, whether for profit or nonprofit, turn its purpose into action by establishing the direction of the entity.

1. An organization’s strategic plan includes its why, where and how for its purpose represented by
2. opportunities, strengths and weaknesses.
3. opportunities, strengths, and mission.
4. mission, vision, and strategy.
5. mission, strengths, and strategy.

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: An organization’s strategic plan includes its why, where, and how for its purpose represented by mission, vision, and strategy.

1. In choosing a strategy, a business begins by undertaking a thorough examination of itself and the industry within which it operates by performing a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ analysis.
2. mission and vision statement
3. strategic initiative
4. target objective
5. SWOT

Ans: D, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement Analysis and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: In choosing a strategy, a business begins by undertaking a thorough examination of itself and the industry within which it operates by performing a

SWOT analysis.

1. An organization’s \_\_\_\_\_\_\_\_\_\_ is its purpose; its reason for existing.
2. mission
3. strategy
4. initiative
5. strategic plan

Ans: A, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: IMA: Business Acumen & Operations: Operational Knowledge.

Solution: An organization’s mission is its purpose, its reason for existing.

1. A SWOT analysis allows an organization to assess its
2. strategies, wealth, outlets, and targets.
3. strengths, warnings, outlets, and threats.
4. strengths, weaknesses, opportunities, and threats.
5. strategies, wealth, opportunities, and threats.

Ans: C, LO 1, Bloom: C, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A SWOT analysis allows an organization to assess its strengths, weaknesses, opportunities, and threats.

1. What is a narrative that describes what the organization will look like, or a destination to

achieve, by some future date called?

1. SWOT analysis
2. Strategic plan
3. Vision
4. Mission

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A narrative the describes what the organization will look like, or a destination to achieve, by some future date is called a vision.

1. Which of the following statements is correct regarding a SWOT analysis?
2. The basis for evaluation using the SWOT analysis focuses on external factors only.
3. Factors to assess in a SWOT analysis included elements described in Porter’s Five Forces.
4. Insignificant in setting a company’s strategy is determining the organization’s critical

success factors.

1. A SWOT analysis is typically used in the Mission and Vision stage in creating the strategic

plan for an organization.

Ans: B, LO 1, Bloom: C, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The correct statement regarding SWOT analysis is,” Factors to assess in a SWOT analysis included elements described in Porter’s Five Forces.”

1. Which balanced scorecard perspective considers how an organization supports its people and infrastructure to drive and maintain new products and service development and growth?
2. Financial perspective
3. Customer perspective
4. Internal business process perspective
5. Learning and growth perspective

Ans: D, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The learning and growth perspective considers how an organization supports its people and infrastructure to drive and maintain new products and

service development and growth.

1. Which of the following represent internal factors in the SWOT analysis?
2. Opportunities and threats
3. Strengths and weaknesses
4. Strengths and opportunities
5. Weaknesses and threats

Ans: B, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement Analysis and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Internal factors in the SWOT include strengths and weaknesses.

1. The correct flow of the steps in the creation of an organization’s strategic plan is
2. Mission and Vision→Strategies and Initatives→Goals and Objectives→Measures and

Targets→Results

1. Mission and Vision→Goals and Objectives→Strategies and Initiatives→Measures and

Targets→Results

1. Strategies and Initatives→Goals and Objectives→Mission and Vision→Measures and

Targets→Results

1. Mission and Vision→Measures and Targets→Strategies and Initatives→Goals and

Objectives→Results

Ans: B LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The correct flow of the steps in the creation of an organization’s strategic plan is Mission and Vision→Goals and Objectives→Strategies and

Initiatives→Measures and Targets→Results

1. When performing a SWOT analysis, a business would ask, “What are the organization’s need-

improvement areas that impede goal achievement” to address its

1. strengths
2. weaknesses
3. opportunities
4. threats

Ans: B, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: When performing a SWOT analysis, a business would ask, “What are the organization’s need-improvement areas that impede goal achievement”

to address its weaknesses.

1. An organization’s mission is the same as its
2. purpose.
3. vision.
4. objectives.
5. targets.

Ans: A, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: An organization’s mission is the same as its purpose.

1. A wide-reaching set of documents detailing a company’s purpose, future destination, and

short-term and long-term techniques for getting there is its

1. vision.
2. strategic plan.
3. balanced scorecard.
4. SWOT analysis.

Ans: B, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A wide-reaching set of documents detailing a company’s purpose, future destination, and short-term and long-term techniques for getting there is

Its strategic plan.

1. Which of the following statements is correct?
2. A strategic plan conveys the idea of a coordinated, consolidated, short-term, organization-

wide plan.

1. Many strategic plans include both short-term and long-term goals to direct the organization

toward arriving at its vision.

1. Once an organization determines its mission, it does not need to change it.
2. Only for-profit entities need purpose and direction normally detailed in a strategic plan.

Ans: B, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The correct statement is, “Many strategic plans include both short-term and long-term goals to direct the organization toward arriving at its vision.”

1. In evaluating a nonprofit organization’s balanced scorecard, which perspective might be

addressed?

1. Customer perspective
2. Learning and growth perspective
3. Financial stewardship perspective
4. Internal business process perspective

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: In evaluating a nonprofit organization’s balanced scorecard, the financial stewardship perspective might be addressed. The other perspectives

are for a for-profit organization.

1. Which of the following would **not** be included in an organization’s strategic plan?
2. Mission (why)
3. Vision (where)
4. Timing (when)
5. Strategy (how)

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: An organization’s strategic plan includes its why (mission), where (vision) and how (strategy). It does not include when (timing).

1. Porter’s Five Forces used in the SWOT analysis would **not** include impacts of
2. customers.
3. the strategic plan.
4. existing competitors.
5. potential new entrants.

Ans: B, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Porter’s Five Forces used in the SWOT analysis would not include impacts of the strategic plan, but would include the impacts of customers,

existing competitors, and potential new entrants.

1. The current or future external challenges that are unfavorable for an organization are referred

to as

1. threats.
2. opportunities.
3. strengths.
4. weaknesses.

Ans: A, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The current or future external challenges that are unfavorable for an organization are referred to as threats.

1. At a minimum, factors to assess in a SWOT analysis include elements described in
2. an organization’s critical success factors.
3. an organization’s key performance indicators (KPI).
4. Porter’s Five Forces.
5. The balanced scorecard.

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: At a minimum, factors to assess in a SWOT analysis include elements described in Porter’s Five Forces.

1. What a company does well that is helpful for its goal achievement is identified as
2. strengths.
3. weaknesses.
4. opportunities.
5. threats.

Ans A: LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: What a company does well that helpful for goal achievement is identified as strengths.

1. “SMARTER” goals should be all of the following **except**
2. relevant.
3. achievable.
4. universal.
5. meaningful.

Ans: C, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Smarter goals should be relevant, achievable and meaningful, but should not be universal.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ goals complete the circle with feedback and adjustment components, which

are necessary for any good goal-setting plan.

1. “BALANCED”
2. “STRONG”
3. “SMARTER”
4. “FLEXIBLE”

Ans: C, LO 1, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: SMARTER goals complete the circle with feedback and adjustment components, which are necessary for any good goal-setting plan.

1. A performance measurement tool used to evaluate what actually happened against an

organization’s stated objectives which integrates an organization’s vision, mission, and

strategy is a

1. balanced scorecard.
2. SWOT analysis.
3. strategic plan.
4. key performance indicator.

Ans: A, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A performance measurement tool used to evaluate what actually happened against an organization’s stated objectives which integrates an

organization’s vision, mission, and strategy is a balanced scorecard.

1. Which of the following represents the correct four perspectives of the balanced scorecard?
2. Financial, organizational capacity, customer, and internal business process perspectives
3. Financial, customer, internal business process, and learning and growth perspectives
4. Financial, customer, business processes, and organization capacity perspectives
5. Customer, business processes, financial stewardship, and beneficiary/stakeholder

perspectives

Ans: B, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The four perspectives of the balanced scorecard are financial, customer, internal business process, and learning and growth perspectives.

1. Which of the following statements is true regarding the balanced scorecard?
2. The balanced scorecard focuses on financial measures alone to measure the success of an

organization.

1. Governmental agencies and nonprofit organizations use the same four perspectives as for-

profit organizations use in the balanced scorecard approach.

1. The balanced scorecard is a framework for measuring organizational performance using

both financial and nonfinancial measures.

1. The balanced scorecard uses the five elements described in Porter’s Five Forces to assess

the strategies and initiatives of an organization.

Ans C: LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The statement regarding the balanced scorecard which is true is, “The balanced scorecard is a framework for measuring organizational

performance using both financial and nonfinancial measures.”

1. Which of the following is a balanced scorecard perspective for governmental agencies and

nonprofit organizations?

1. Customer perspective
2. Organization capacity perspective
3. Internal business process perspective
4. Learning and growth perspective

Ans: B, LO 1, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The organizational capacity perspective is the only balanced scorecard perspective for governmental agencies and nonprofit organizations.

1. Which of the following statements about cost accounting is correct?
2. Cost accounting has an external focus.
3. Cost accounting is very narrow in scope.
4. Cost accounting helps owners and managers make decisions about their companies.
5. Cost accounting cannot be tied to all functional areas of a company.

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Cost Accounting.

Solution: Cost accounting helps owners and managers make decisions about their companies is a correct statement. All other statements about cost

accounting are incorrect.

1. Who is at the heart of a multi-directional flow of financial information in the decision-making process?
2. Management
3. Accountants
4. Board of directors
5. Stockholders

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Financial Recordkeeping.

Solution: Accountants are at the heart of a multi-directional flow of financial information in the decision-making process.

1. Which of the following statements is true regarding accounting in the management decision-

making process?

1. The format and content of internal financial reports are determined by the framework,

principles, and rules of GAAP and/or IFRS.

1. The scope of external financial reports and the level of detail within is kept private, as it is

broader and more detailed than internal reports.

1. External financial reports and records are created from the same database of financial

transactions that populate the internal financial reports for decision-making purposes.

1. Financial reports and records initiate the entire decision-making process for management.

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Strategy, Planning & Performance: Decision Analysis.

Solution: The statement which is true is,” External financial reports and records are created from the same database of financial transactions that populate

the internal financial reports for decision-making purposes.

1. Which financial manager is responsible for the financial reporting process, which includes creation and monitoring of the internal controls that support financial processes?
2. Chief financial officer
3. Treasurer
4. Internal auditor
5. Controller

Ans: D, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Strategy, Planning & Performance: Cost Management.

Solution: A Controller is the financial manager who is responsible for the financial reporting process, which includes creation and monitoring of the internal

controls that support the financial process.

1. The Chief financial officer is responsible for
2. managing cash, cash equivalents, short-term investments, issuance of debt and equities,

and relationships with lenders only.

1. the financial reporting process, which includes creation and monitoring of the internal

controls that support financial processes only.

1. all processes within the finance and accounting functional areas and an important player in

strategic decisions for the company.

1. preparing internal and external financial reports and records.

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Integrated Reporting.

Solution: The Chief financial officer is responsible for all processes within the finance and accounting functional areas and an important player in

strategic decisions for the company.

1. The financial manager who is responsible for managing cash, cash equivalents, short-term

investments, issuance of debt and equities, and relationships with lenders is the

1. Controller
2. Treasurer
3. Chief financial officer
4. Auditor

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Integrated Reporting.

Solution: The financial manager who is responsible for managing cash, cash equivalents, short-term investments, issuance of debt and equities, and

relationships with lenders is the Treasurer.

1. The primary difference in reporting between cost accounting and financial accounting is that
2. cost accounting reports support internal management decision-making whereas financial

accounting reports present financial statement information to external users and decision-

makers who do not work for the company.

1. cost accounting reports are externally focused whereas financial accounting reports are

internally focused.

1. cost accounting reports are subject to GAAP and/or IFRS whereas financial accounting

reports are not.

1. cost accounting reports cannot be arranged or presented in any reasonable way and cannot

be modified based on manager’s feedback whereas financial accounting reports can.

Ans: A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Integrated Reporting.

Solution: The primary difference in reporting between cost accounting and financial accounting is that cost accounting reports support internal

management decision-making whereas financial accounting reports present financial statement information to external users and decision-makers who do

not work for the company.

1. The decision-making framework for an organization consists of \_\_\_\_\_\_\_\_\_ steps.
2. three
3. four
4. five
5. six

Ans: C, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The decision-making process for an organization consists of five steps.

1. Your company has been provided with the following steps for an organization’s decision-

making framework. What is the appropriate order for the steps?

1. Calculate relevant costs and benefits for each option.
2. Implement your choice.
3. Clearly outline the problem and its related unknowns.
4. Select the option that maximizes the benefit to the organization and meets required

qualitative criteria.

1. Identify suitable options and gather relevant qualitative and quantitative information,

making informed assumptions as need be.

1. 5, 3, 1, 2, 4
2. 3, 5, 1, 4, 2
3. 3, 1, 5, 4, 2
4. 1, 3, 5, 4, 2

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC: Measurement Analysis and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The appropriate order of steps in the decision-making process is (1) Clearly outline the problem and its related unknowns; (2) Identify suitable

options and gather relevant qualitative and quantitative information, making informed assumptions as need be. (3) Calculate relevant costs and benefits for

each option; (4) Select the option that maximizes the benefit to the organization and meets required qualitative criteria; and (5) Implement your choice.

1. In any decision-making scenario, after implementing a chosen option the next step is to
2. determine how well the decision worked and to learn from that assessment.
3. move on to additional problems that needed to be resolved.
4. set new goals and objectives that will require the use of the decision-making framework.
5. identify the stakeholders in the decision and determine the financial impact of the chosen

option.

Ans: A, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: IMA: Business Acumen & Operations: Operational Knowledge.

Solution: In any decision-making scenario, after implementing a chosen option, the next step is to determine how well the decision worked and to learn

from that assessment.

1. What is the first step in the decision-making framework?
2. Identify suitable options.
3. Gather relevant quantitative and qualitative information regarding the decision.
4. Clearly outline the problem and its related unknowns.
5. Calculate relevant costs and benefits of each option.

Ans: C, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC: Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The first step in the decision-making framework is to clearly outline the problem and its related unknowns.

1. Which type of data analytics uses observations and patterns to detected to shape future

decisions?

1. Descriptive analytics
2. Diagnostic analytics
3. Predictive analytics
4. Prescriptive analytics

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Technology & Analytics: Data Analytics.

Solution: The type of data analytics that uses observations and patterns detected to shape future decisions is predictive analytics.

1. Prescriptive analytics
2. describes what has already happened or what is currently happening and helps

organizations detect patterns in data.

1. involves understanding the outputs of observations and patterns and finding different ways

to reach those desired outcomes.

1. attempts to make sense of the observations and/or patterns detected.
2. uses observations and patterns detected to shape future decisions.

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Technology & Analytics: Data Analytics.

Solution: Prescriptive analytics involves understanding the outputs of observations and patterns and finding different ways to reach those desired

outcomes.

1. Diagnostic analytics
2. describes what has already happened or what is currently happening and helps

organizations detect patterns in data.

1. involves understanding the outputs of observations and patterns and finding different ways

to reach those desired outcomes.

1. attempts to make sense of the observations and/or patterns detected.
2. uses observations and patterns detected to shape future decisions.

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Technology & Analytics: Data Analytics.

Solution: Diagnostic analytics attempts to make sense of the observations and/or patterns detected.

1. A company’s value chain starts with
2. marketing.
3. supply of inputs.
4. product and/or service design.
5. research and development.

Ans: D, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement Analysis and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A company’s value chain starts with research and development.

1. The last step in the value chain for a company is
2. distribution to customers.
3. customer service.
4. marketing.
5. production.

Ans: B, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The last step in the value chain for a company is customer service.

1. The \_\_\_\_\_\_\_\_\_\_\_\_\_ comprises the required series of processes, and activities within them,

that transform a product or service from thought to finish.

1. decision-analysis framework
2. supply chain
3. value chain
4. cost accounting system

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The value chain comprises the required series of processes, and activities within them, that transform a product or service from thought to finish.

1. A company’s supply chain
2. comprises the required series of processes, and activities within them, that transform a

product or service from thought to finish

1. contributes to its competitive advantage and success.
2. consists of the processes starting with research and development and ending with customer

service.

1. is the same regardless of the type of industry in which the company operates.

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A company’s supply chain contributes to its competitive advantage and success.

1. When selecting which activities to perform in the value chain, a company
2. must consider specific rules on which processes should be handled internally.
3. will never consider processes which could be outsourced.
4. should use its SWOT analysis as an integral source of information in choosing which

activities to insource or outsource.

1. should use its decision-making framework as an integral source of information in choosing

which activities to insource or outsource.

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: When selecting which activities to perform in the value chain, a company should use its SWOT analysis as an integral source of information in

choosing which activities to insource or outsource.

1. Which of the following is **not** one of the data analysis techniques?
2. Predictive analytics
3. Diagnostic analytics
4. Prescriptive analytics
5. Definitive analytics

Ans: D, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Technology & Analytics: Data Analytics.

Solution: Definitive analytics is not one of the data analysis techniques.

1. Which of the following represents the correct order of activities in the value chain for a company?
2. Design→Research and Development→Marketing→Supply
3. Design→Research and Development→Supply→Marketing
4. Research and Development→Design→Supply→Production
5. Research and Development→Supply→Design→Marketing

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The correct order of activities in the value chain for a company is Research and Development→Design→Supply→Production

1. What is the first activity in the value chain for a business?
2. Research and Development
3. Design
4. Production
5. Marketing

Ans: A, LO 2, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The first activity in the value chain for a business is research and development.

1. Which of the following is **not** an activity in the value chain for a business?
2. Production
3. Distribution
4. Inspection
5. Marketing

Ans: C, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Inspection is not an activity in the value chain for a business.

1. The art and science of \_\_\_\_\_\_\_\_ leverages raw data into important insights that help companies make decisions.
2. regression analysis
3. break-even analysis
4. variance analysis
5. data analytics

Ans: D, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Strategy, Planning & Performance: Decision Analysis.

Solution: The art and science of data analytics leverages raw data into important insights that help companies make decisions.

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1. The scope of cost accounting
2. is restricted to simply methods in costing products for businesses.
3. analyzes the activities and transactions of every aspect of an organization’s value chain.
4. includes the preparation of financial information and reports primarily for external users.
5. focuses on the preparation of financial information and reports that follow GAAP rules.

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Cost Accounting.

Solution: The scope of cost accounting analyzes the activities and transactions of every aspect of an organization’s value chain.

1. Which of the following would **not** be considered a value-added activity for an automobile

manufacturer?

1. Installing the steering wheel.
2. Fixing defective seats after installation
3. Assembling motor parts for the engine
4. Attaching tires to the wheels of the automobile

Ans: B, LO 2, Bloom: C, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The activity which would not be a value-added activity for an automobile manufacturer would be the fixing of defective seats installed because it does not add value or provide measurable benefits to the final consumer.

1. Value-added activities include which of the following?
2. Product recalls
3. Defective product repairs
4. Product assembly
5. Inventory taking

Ans: C, LO 2, Bloom: C, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Value-added activities include product assembly.

1. Providing enlightenment to many stakeholders on the details of products and services offered

with the goal of making sales reflects what activity in the value chain?

1. Design
2. Production
3. Customer service
4. Marketing

Ans: D, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Providing enlightenment to many stakeholders on the details of products and services offered with the goal of making sales reflects the marketing

activity in the value chain.

1. Which of the following activities in the value chain overlap with the supply chain of an

organization?

1. Supply, production, marketing, and distribution
2. Research and development, production and marketing
3. Design, production, and distribution
4. Supply, marketing, distribution, and customer service.

Ans: A, LO 2, Bloom: C, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Supply, production, marketing, and distribution activities in the value chain overlap with the supply chain of an organization.

1. Which of the following statements is true with regards to an organization’s value chain?
2. Value is added in all activities except selecting, curating, purchasing, receiving and

displaying a variety of products for a target audience for a merchandiser.

1. A major consideration in optimizing the value chain is to include only those activities that are

value-added, that is, to provide measurable benefits to the final consumer.

1. Manufacturers add value to raw materials by accounting for only direct labor and not

manufacturing overhead since labor converts inputs into a final product.

1. From a manufacturing perspective, organizations reference their position in the value chain

relative to the customers only since they are the end-user of the final product.

Ans: B, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The following statement is true with regards to an organization’s value chain, “A major consideration in optimizing the value chain is to include

only those activities that are value-added, that is, to provide measurable benefits to the final consumer.

1. Ethics
2. are the same as laws in a professional setting.
3. reflect expected behavior left up to the principles, conscience, and decision-making of an

individual person.

1. represents the required behavior of an individual person based on laws and objectives of a

profession.

1. are only required if an individual is certified in his/her profession.

Ans: B, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Recognizing and Resolving Unethical Behavior.

Solution: Ethics reflect expected behavior left up to the principles, conscience, and decision-making of an individual person.

1. Which of the following governing bodies combines standards of ethical conduct into their

expectations for members from a financial accounting perspective?

1. Financial Accounting Standards Board (FASB)
2. Institute of Management Accountants (IMA)
3. Institute of Internal Auditors (IIA)
4. Chartered Institute of Management Accountants (CGMA)

Ans: A, LO 3, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics &Values: Legal and Regulatory Requirements.

Solution: The governing body which combines standard of ethical conduct into their expectations for members from a financial accounting perspective is the

Financial Accounting Standards Board (FASB).

1. The professional organization and governing body which has special expertise in the field of

internal auditing is

1. Financial Accounting Standards Board (FASB)
2. Institute of Management Accountants (IMA)
3. Institute of Internal Auditors (IIA)
4. Chartered Institute of Management Accountants (CGMA)

Ans: C, LO 3, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Industry-Specific Knowledge.

Solution: The professional organization and governing body which has special expertise in the field of internal auditing is the Institute of Internal Auditors

(IIA).

1. In the Sarbanes-Oxley Act of 2002 (SOX), the section which requires public companies to

disclose if they have adopted a code of ethics for its senior officers is

1. Section 302.
2. Section 404.
3. Section 406.
4. Section 201.

Ans: C, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Legal and Regulatory Requirements.

Solution: Section 406 of the Sarbanes-Oxley Act of 2002 (SOX) requires that public companies disclose if they have adopted a code of ethics for its senior

officers.

1. Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) requires that
2. public companies disclose if they have adopted a code of ethics for its senior officers.
3. management of public companies recognize their responsibility for establishing internal

controls and provide an assessment of the effectiveness of those internal controls.

1. CEOs and CFOs of publicly traded companies certify the accuracy of their reported financial

information.

1. public and private companies disclose if they have adopted a code of ethics company-wide.

Ans: B, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Internal Control.

Solution: Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) requires that management of public companies recognize their responsibility for

establishing internal controls and provide an assessment of the effectiveness of those internal controls.

1. Which section of the Sarbanes-Oxley Act of 2002 (SOX) requires CFOs and CEOs of public

companies to certify the accuracy of their reported financial information?

1. Section 201
2. Section 302
3. Section 404
4. Section 406

Ans: B, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Financial Statement Preparation.

Solution: Section 302 of the Sarbanes-Oxley Act of 2002 (SOX) requires CFOs and CEOs of public companies to certify the accuracy of their reported

financial information.

1. Section 302 of the Sarbanes-Oxley Act of 2002 (SOX) requires that
2. CFOs and CEOs of public companies certify the accuracy of their reported financial

information.

1. stockholders of public companies certify the accuracy of their reported financial

information.

1. CFOs and CEOs of both public and private companies certify the accuracy of their reported

financial information.

1. stockholders of public and private companies certify the accuracy of their reported financial

information

Ans: A, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Financial Statement Preparation.

Solution: Section 302 of the Sarbanes-Oxley Act of 2002 (SOX) requires that CFOs and CEOs of public companies certify the accuracy of their reported

financial information.

1. The largest and most respected association focused exclusively on the advancement of the

management accounting profession and provision of the highest ethical and best practices in

management accounting and finance is the

1. Financial Accounting Standards Board (FASB)
2. Institute of Management Accountants (IMA)
3. Institute of Internal Auditors (IIA)
4. American Institute of Certified Public Accountants (AICPA)

Ans: B, LO 3, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Cost Accounting.

Solution: The largest and most respected association focused exclusively on the advancement of the management accounting profession is the Institute of

Management Accountants (IMA).

1. The Institute of Management Accountants (IMA) guides the management accounting and

finance professions by

1. helping professionals build a professional network.
2. advocating for the profession in a challenging regulatory environment.
3. serving as a thought-leader in cutting edge research and industry best practice.
4. all of these choices are correct.

Ans: D, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Cost Accounting.

Solution: The Institute of Management Accountants (IMA) guides the management accounting and finance profession by helping professionals build a

professional network, advocating for the profession in a challenging regulatory environment, and serving as a though leader in cutting edge research and

industry best practice.

1. The IMA’s Statement of Ethical Professional Practice includes all of the following overarching

ethical principles **except**

1. honesty.
2. fairness.
3. subjectivity.
4. objectivity.

Ans: C, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Professional Ethical Behavior.

Solution: The IMA’s Statement of Ethical Professional Practice includes honesty, fairness and objectivity as overarching ethical principles, but does not

include subjectivity.

1. In the event a member of the Institute of Management Accountants (IMA) encounters unethical

conduct, the member should

1. first discuss the issue with the CEO or President of the company.
2. immediately contact an attorney to obtain legal representation in the matter.
3. contact the IMA’s anonymous hotline to determine how elements of the IMA Statement of

Ethical Professional Practice could be applied to the ethical issue.

1. do nothing, since the job of the management accountant requires confidentiality with

regards to company matters.

Ans: C, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Professional Ethical Behavior.

Solution: In the event a member of the Institute of Management Accountants (IMA) encounters unethical conduct, the member should contact the IMA’s

Anonymous hotline to determine how elements of the IMA Statement of Ethical Professional Practice could be applied to the ethical issue.

1. The governing body that has a vision to be the world leader in driving vitality, relevance and

quality across the accounting profession, furthering its trust and influence is the

1. Securities Exchange Commission (SEC).
2. Institute of Management Accountants (IMA).
3. Institute of Internal Auditors (IIA).
4. American Institute of Certified Public Accountants (AICPA).

Ans: D, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Professional Ethical Behavior.

Solution: The governing body that has a vision to be the world leader in driving vitality, relevance, and quality across the accounting profession, furthering

Its trust and influence is the American Institute of Certified Public Accountants (AICPA).

1. Which governing body establishes professional standards for the accounting industry?
2. Securities Exchange Commission (SEC)
3. Institute of Management Accountants (IMA)
4. Institute of Internal Auditors (IIA)
5. American Institute of Certified Public Accountants (AICPA).

Ans: D, LO 3, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Legal and Regulatory Requirements.

Solution: The governing body that establishes professional standards for the accounting industry is the American Institute of Certified Public Accountants.

1. Ethical considerations
2. are only important in the financial accounting profession since financial reporting is primarily

for external users.

1. are a constant in the accounting profession, and serve to keep accounting professionals in

check.

1. should only be monitored for executive positions since they are in a position of authority.
2. enforced by state laws and vary state by state.

Ans: B, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Professional Ethical Behavior.

Solution: Ethical considerations are a constant in the accounting profession, and serve to keep accounting professionals in check.

1. Which two governing bodies partnered to establish the CGMA designation, which further enhances the recognition of management accounting?
2. AICPA and IMA
3. AICPA and U.K’s Chartered Institute of Management Accountants
4. IMA and U.K’s Chartered Institute of Management Accountants
5. FASB and U.K’s Chartered Institute of Management Accountants

Ans: B, LO 3, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting & Control: Cost Accounitng.

Solution: the two governing bodies that partnered to establish the CGMA designation, which further enhances the recognition of management accounting

are the AICPA and U.K.’s Chartered Institute of Management Accountants.

1. Which of the following is **not** one of the principles of the AICPA’s Code of Professional Conduct?
2. Integrity principle
3. Due care principle
4. Subjectivity principle
5. Responsibilities principle

Ans: C, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement Analysis and Interpretation, IMA: Professional Ethics & Values: Legal and Regulatory Requirements.

Solution: The subjectivity principle is not one of the AICPA’s Code of Professional Conduct principles.

1. Which of the statements regarding the AICPA’s Code of Professional Conduct is correct?
2. The principles of the code call for an unwavering commitment to honorable behavior, even at

the sacrifice of personal advantage.

1. The principles of the code express the profession’s recognition of its responsibilities only to

clients of CPAs.

1. The AICPA’s Code of Professional Conduct enforces the expectations of ethical and

professional conduct for all accountants in the industry, whether certified or not.

1. The AICPA’s Code of Professional Conduct stipulates disciplinary action for ethical violations.

Ans: A, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Legal and Regulatory Requirements.

Solution: The correct statement regarding the AICPA’s Code of Professional Conduct is that, “The principles of the code call for an unwavering commitment

to honorable behavior, even at the sacrifice of personal advantage.

1. The importance of providing accurate and reliable information to decision-makers and other

users of accounting information is consistent with organizations having

1. financially literate executive officers.
2. weak internal controls but an effective ethics policy.
3. a strong ethical culture.
4. required certification of the financial reporting.

Ans: C, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Professional Ethics & Values: Recognizing and Resolving Unethical Behavior.

Solution: The importance of providing accurate and reliable information to decision-makers and other users of accounting information is consistent with

Organization having a strong ethical culture.

1. Recruiters for accounting jobs typically look for students who are
2. technically strong.
3. competent.
4. analytic.
5. all of these answers are correct.

Ans: D, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Recruiters for accounting jobs typically look for students who are technically strong, competent, and analytic.

1. Which of the following mindsets is best adapted to learning accounting?
2. Fixed mindset
3. Static mindset
4. Growth mindset
5. Short-term learning mindset

Ans: C, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The growth mindset is best adapted to learning accounting.

1. The way of thinking in which intelligence can be developed and leads to a desire to learn,

with a person willing to embrace challenges is referred to as a

1. growth mindset.
2. static mindset.
3. fixed mindset.
4. short-term learning mindset.

Ans: A, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The way of thinking in which intelligence can be developed and leads to a desire to learn, with a person willing to embrace challenges is referred

to as a growth mindset.

1. A person who avoids challenges, ignores constructive feedback, and feels threatened by the

success of other is most likely to have a(n) \_\_\_\_\_\_\_\_\_\_\_\_ mindset.

1. growth
2. adaptable mindset
3. fixed mindset
4. long-term learning mindset

Ans: C, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A person who avoids challenges, ignores constructive feedback, and feels threatened by the success of others is most likely to have a fixed

mindset.

1. In order to reach higher learning, understanding is superior to \_\_\_\_\_\_\_\_\_\_\_\_.
2. ascending.
3. remembering.
4. creating.
5. developing.

Ans: B, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: In order to reach higher learning, understanding is superior to remembering.

1. Bloom’s Taxonomy is a useful reference for every lifelong learner since the hierarchy of

learning helps to recognize that

1. there is value only in certain types of learning.
2. all types of learning are foundational to each other.
3. ascending to the highest level implies mastery of the levels that precede it.
4. creating means building on already existing ideas.

Ans: C, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Bloom’s taxonomy is a useful reference for every lifelong learner since the hierarchy of learning helps to recognize that ascending to the highest

level implies mastery of the levels that precede it.

1. Which of the following is at the top of the Bloom’s Taxonomy hierarchy of learning pyramid?
2. Remember
3. Evaluate
4. Understand
5. Create

Ans: D, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Create is at the top of the Bloom’s Taxonomy hierarchy of learning pyramid.

1. Which of the following is at the bottom of the Bloom’s Taxonomy hierarchy of learning

pyramid?

1. Remember
2. Evaluate
3. Understand
4. Create

Ans: A, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Remember is at the bottom of the Bloom’s Taxonomy hierarchy of learning pyramid.

1. Justifying a stand or decision defines which objective in the Bloom’s Taxonomy hierarchy of

learning pyramid?

1. Remember
2. Evaluate
3. Understand
4. Create

Ans: B, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Justifying a stand or decision defines the objective of “Evaluate” in the Bloom’s Taxonomy hierarchy of learning pyramid.

1. Producing a new or original work indicates which objective in the Bloom’s Taxonomy

hierarchy of learning pyramid?

1. Remember
2. Evaluate
3. Understand
4. Create

Ans: D, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Producing a new or original work indicates the objective of “Create” in the Bloom’s Taxonomy hierarchy of learning pyramid.

1. Using information in new situations implies which objective in the Bloom’s Taxonomy

hierarchy of learning pyramid?

1. Apply
2. Evaluate
3. Understand
4. Create

Ans: A, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Using information in new situation implies the objective of “Apply” in the Bloom’s Taxonomy hierarchy of learning pyramid.

1. Explaining ideas or concepts relates to which objective in the Bloom’s Taxonomy hierarchy of

learning pyramid?

1. Remember
2. Evaluate
3. Understand
4. Create

Ans: C, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Explaining ideas or concepts relates to the objective of “Understand” in the Bloom’s Taxonomy hierarchy of learning pyramid.

1. To analyze in the Bloom’s Taxonomy hierarchy of learning pyramid means to
2. use information in new situations.
3. explain ideas or concepts.
4. justify a stand or decision.
5. draw connections among ideas.

Ans: D, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: To analyze in the Bloom’s Taxonomy hierarchy of learning pyramid means to draw connections among ideas.

1. Explaining ideas or concepts relates to which objective in the Bloom’s Taxonomy hierarchy of

learning pyramid?

1. Remember
2. Evaluate
3. Understand
4. Create

Ans: C, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Explaining ideas or concepts relates to the objective of “Understand” in the Bloom’s Taxonomy hierarchy of learning pyramid.

1. A learning method which includes a process of laying groundwork by providing context and

building slowly from simple to complex ideas is called

1. storytelling.
2. micro lessons.
3. scaffolding.
4. reflection.

Ans: C, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A learning method which includes a process of laying groundwork by providing context and building slowly from simple to complex ideas is called

scaffolding.

1. Seeing an outline, which primes one to learn or prompts one to create relationships among

concepts, like cause-and-effect or a series of events reflects which learning method?

1. Concept maps
2. Descriptive diagrams
3. Micro lessons
4. Storytelling

Ans: A, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Seeing an outline, which primes one to learn or prompts one to create relationships among concepts, like cause-and-effect or a series of events

reflects the learning method, concept maps.

1. Which of the following is **not** a learning method?
2. Storytelling
3. Micro lessons
4. Evaluation
5. Reflection

Ans: C, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: Evaluation is not a learning method. Storytelling, micro lessons and reflection are learning methods.

1. The use of chapter-opening vignettes implements which of the following learning methods?
2. Storytelling
3. Micro lessons
4. Scaffolding
5. Reflection

Ans: A, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: The use of chapter-opening vignettes implements the storytelling learning method.

1. A learning method in which questions are used to help students remember what they learned

is called

1. storytelling.
2. micro lessons.
3. scaffolding.
4. reflection.

Ans: D, LO 4, Bloom: K, Difficulty: Easy, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Business Acumen & Operations: Operational Knowledge.

Solution: A learning method in which questions are used to help students remember what they learned is called reflection.

**Exercises**

1. Identify and describe the 5 steps of a strategic plan.

Solution:

1. Mission and Vision – Mission is an organization’s purpose (what drives the organization)

and the mission is vision is a narrative that describes what the organization will look like,

or a destination to achieve, by some future date. The strategic plan is formed to move the

organization toward that vision.

1. Goals and Objectives – Goals and objectives direct the organization towards its vision.

Goals are long-term whereas, objectives are short-term. Companies might use a balanced

scorecard to organize goals.

1. Strategies and Initiatives – The selection of strategies and initiative is based on the how in

achieving the goals and objectives. This is most effectively done when a business prepares

a SWOT analysis, evaluating its strengths, weaknesses, opportunities and threats.

1. Measures and Targets – Performance measures should be set with dollars and dates to be

achieved. Key performance indicators (KPIs) in the industry are appropriate means of

measurement.

1. Results – These can be financial or nonfinancial and represent the sum of the company’s

actual performance, measured against the targets which are previously set. Variances are

determined based on this comparison, and the process begins again using the feedback

from the results. If using a balanced scorecard approach, companies will now update the

goals previously created with the actual results.

Ans: N/A, LO 1, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Explain what a SWOT analysis is and its purpose in developing a company’s strategy.

Solution:

A SWOT analysis involves the identification of an organization’s strengths, weaknesses,

opportunities and threats. Strengths and weaknesses focus on internal factors whereas,

opportunities and threats emphasize external factors. In identifying the elements in the

SWOT analysis, a company may ask itself the following questions:

Strengths – What does the organization do well that is helpful for goal achievement?

Weaknesses – What are the organization’s “needs improvement” areas that impede goal achievement?

Opportunities – What are the current or future external prospects that are favorable to the organization?

Threats – What are the current or future external challenges that are unfavorable to the organization?

At a minimum, factors to assess in a SWOT analysis would include elements described in Porter’s Five Forces – impacts of customers, suppliers, potential new entrants, existing competitors, and substitute products. Vital to setting a company’s strategy is determining the organization’s critical success factors – specific competencies the organization uses to its competitive advantage.

Ans: N/A, LO 1, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Define a balanced scorecard and identify and describe the four perspectives used in the

balance scorecard for a for-profit organization.

Solution:

The balanced scorecard is a framework of measuring organizational performance using both

financial and nonfinancial measures. Organizations often use this approach as a management tool as a means of organizing its goals with results by integrating it with an organization’s mission, vision, and strategy to evaluate what actually happened against the company’s stated goals and objectives. Managers have to balance the success of the four elements within their organization to achieve success using the four perspectives shown below.

1. Financial perspective – considers the shareholder and how metrics like growth, profit, and

risk impact shareholder value and translate into financial success.

1. Customer perspective – considers the customer and includes metrics that create value

for the customer, while often measuring customer satisfaction and retention.

1. Internal business process perspective – considers processes internal to a company that

are responsible for creating value for the customer and shareholder.

1. Learning and growth perspective – considers how an organization supports its people and

infrastructure to drive and maintain new products and service development and growth.

Ans: N/A, LO 1, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Identify and describe the 4 perspectives in the balanced scorecard for governmental agencies

and nonprofit organizations.

Solution:

The balanced scorecard for governmental agencies and nonprofit organizations uses different names for their multiple perspectives to better align with their purpose. These four perspectives are as follows:

1. Beneficiary/stakeholder perspective – focuses on the positive outcomes of those served

by the nonprofit organization.

1. Financial stewardship perspective – optimizes utilization of available resources to

complete the organization’s mission.

1. Business process perspective – focuses on improving internal and external processes

that will sustain its purpose, like improving service delivery and strengthening

partnerships.

1. Organization capacity perspective – focuses on improving the organization’s

infrastructure to remain a viable entity.

Ans: N/A, LO 1, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Identify and describe the individual “SMARTER” goals

Solution:

“SMARTER” goals help to complete the personal strategy circle giving feedback and adjustment components for any goal-setting plan. The following reflect the SMARTER goals:

* Specific – Make it clear.
* Meaningful – It has to matter to you, or you won’t stick with it, and it also has to be measurable.
* Achievable – Make goals tough, but achievable, and you won’t psych yourself out early.
* Relevant – Does it connect with your purpose and the rest of your life?
* Time-bound – Set a firm date and work toward it.
* Evaluate – Do regular, honest check-ins on your progress toward your goals.
* Readjust – Based on your evaluation, adjust your plan as needed. If you are not meeting your goals, you may simply need to change your path towards it (readjust).

Ans: N/A, LO 1, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Define cost accounting and its major focuses.

Solution:

Cost accounting helps owners and managers make decisions about their organizations. It has an internal focus but is not narrow in scope. It is tied to all functional areas of a company and embodies the idea that “accounting is the language of business.” Cost accounting focuses on process of decision-making and analysis by gathering and analyzing information for decision-making purposes including the use of data analytics. It also addresses management control by evaluating the culture of an organization and how management makes decisions by looking at how goals and objectives are set and evaluation of the performance of the organization against these goals.

Ans: N/A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Reporting & Control: Cost Accounting.

1. Differentiate between financial accounting and cost accounting.

Solution:

|  |  |  |
| --- | --- | --- |
|  | **Cost Accounting** | **Financial Accounting** |
| **Area of focus** | - Internally focused | - Externally focused |
| **Purpose** | - Designed to support internal management decision- making. | - Presents select financial information to external users and decision-makers who don’t typically work for the company.  - Such external users might be investors, stock analysts, regulators, lenders, suppliers, competitors, customers, or others. |
| **Scope** | - Far broader than simply costing products.  - It analyzes the activities and transactions of an organization’s value chain from inception of an idea through sales and customer service. | - The details, format, and content required by GAAP or IFRS. |
| **Types of reports used** | - Unlimited – Reports can be arranged and presented in any reasonable way that supports managers’ needs.  - Managers’ feedback modifies the types of reports created.  - Internal reports can initiate transactions. If internal users notice errors, they will correct them, furthering the two-way nature of the information collection and reporting cycle. | - The details, format, and content required by GAAP or IFRS. |

Ans: N/A, LO 2, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Reporting & Control: Integrated Reporting.

1. Explain how accountants support the management decision-making process.

Solution:

Accountants play a supportive role in the management decision-making process. Management decision-making initiates the process with the financial information which is prepared by accountants. Likewise, the day-to-day transactions populate a financial database of information which is available to accountants to analyze for either internal or external reporting purposes. Every detail in the financial information systems is used to generate internal financial reports and records which is then used by management to make decisions for the organization. This detail is kept private within the organization. Accountants are also responsible for using the same information generated by the organization’s financial information systems to create external financial reports and records which must adhere to a set framework, principles, and rules of GAAP (or IFRS).

Ans: N/A, LO 2, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Reporting & Control: Integrated Reporting.

1. Identify three financial managers and describe their responsibilities within an organization.

Solution:

1. Chief financial officer – Responsible for all processes within the finance and accounting

functional areas and an important player in strategic decisions for the company.

1. Controller – Responsible for financial reporting process, which includes creation and

monitoring of the internal controls that support financial processes. The controller reports

directly to the chief financial officer.

1. Treasurer – Manages cash, cash equivalents, short-term investments, issuance of debt and

equities, and relationships with lenders. The treasurer reports directly to the chief financial

officer.

Ans: N/A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Identify the 5 steps in the decision-making framework.

Solution:

Step 1: Clearly outline the problem and its related unknowns.

Step 2: Identify suitable options and gather relevant qualitative and quantitative information,

making informed assumptions as need be.

Step 3: Calculate relevant costs and benefits for each option.

Step 4: Select the option that maximizes benefit to the organization and meets required

qualitative criteria.

Step 5: Implement your decision.

Ans: N/A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Strategy, Planning & Performance: Decision Analysis.

1. Define value chain. List and describe the activities in the value chain of an organization in

the order of their occurrence.

Solution:

The value chain for an organization comprises the required series of processes, and activities that transform a product or service from thought to finish, or in essence, from research and development to finished product to post-sale customer service. A product can be traced through a value chain as follows:

1. Research and Development – Inception of an idea and its resulting development
2. Design – Collaboration for best possible solutions for approved product/service ideas
3. Supply – Supply of inputs such as direct materials and direct labor, or merchandise

inventory

1. Production – Actually making the product or providing service
2. Marketing – Providing enlightenment to many stakeholders on the details of products

or services offered, with the goal of making sales

1. Distribution – Means of delivering product or service to customer
2. Customer Service – After the sale of the product or service to customer, follow-up such

as technical support, returns, or troubleshooting offered to customers.

Ans: N/A, LO 2, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. What is the supply chain?

Solution:

The supply chain of an organization includes the processes and activities that span sourcing of raw materials (supply) through moving the completed product or service to customers (distribution), and the inherent logistics of all steps in between. It reflects the combination of supply, production, marketing, and distribution activities and contributes to the competitive advantage and overall success of the organization.

Ans: N/A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. What is outsourcing vs. insourcing and why are these concepts important in the value chain?

Solution:

Outsourcing occurs when an organization has entire processes or activities performed by other organizations externally. Insourcing refers to the complete value chain activities being performed within the organization. Regarding the value chain activities, organizations must determine which activities to undertake in-house or to outsource as elements of a company’s strategy and decision-making process. The organization’s choices to insource or outsource are driven by its mission, vision, and selected strategies. An evaluation of an organization’s strengths, weaknesses, opportunities, and threats through the use of a SWOT analysis, will be an integral source of information in determining which activities to insource or outsource.

Ans: N/A, LO 2, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Explain the importance of ethics in business.

Solution:

Ethics serve to keep professional and society in check and are necessary parameters by which to live. Ethics should be incorporated into every management decision made. The importance of providing accurate and reliable information to decision-makers and other users of accounting information is consistent with organizations having a strong ethical culture. If an organization has ethical breaches, of if management is allowed to disseminate false information with no accountability, chaos most likely will occur.

Ans: N/A, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Professional & Ethical Values: Professional Ethical Behavior.

1. What does Sarbanes-Oxley Act of 2002 (SOX) address with regards to weaknesses in the

financial reporting process?

Solution:

Sarbanes Oxley Act of 2002 represents a key regulation related to the accounting profession which was implemented to address many previous weaknesses in the financial reporting process. Within this regulation, the following three sections specifically address these concerns:

Section 302 – This section now requires CEOs and CFOs of public companies to certify the

accuracy of the organization’s reported financial information. As such, company leaders are

now held accountable for providing reliable and thorough information.

Section 404 – This section now requires management of public companies to recognize their

responsibility for establishing internal controls and provide assessment of the effectiveness of these internal controls, which underlie all business processes and the financial statement

reporting of the entity.

Section 406 – This section now requires public companies to disclose if they have adopted a code of ethics for its senior officers.

Ans: N/A, LO 3, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Professional & Ethical Values: Legal and Regulatory Requirements; Reporting & Control: Integrated Reporting.

1. Explain the roles of the Institute of Management Accountants (IMA) and the American

Institute of Certified Public Accountants (AICPA) in the field of accounting.

Solution:

1. Institute of Management Accountants (IMA) – Focuses on the advancement of the

management accounting profession. It provides a forum for research, practice

development, education, knowledge sharing, and advocacy of the highest ethical and

best business practices in management accounting and finance. It also serves as the

leading resource for developing, certifying, connecting, and supporting the world’s best   
 accountants and financial professional in business. It has established its own Statement

of Ethical Professional Practice.

1. American Institute of Certified Public Accountants (AICPA) – Its mission is to power the

success of global business, CPAs, CGMAs, and specialty credentials by providing the

most relevant knowledge, resources, and advocacy, and by protecting the evolving public

interest. Its vision is to be the world leader in driving vitality, relevance, and quality across

the accounting profession, furthering its trust and influence. It has established its own

Code of Professional Conduct.

Ans: N/A, LO 3, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Explain the difference between a fixed mindset and a growth mindset and identify which is

best for a lifelong learner or a career in accounting.

Solution:

The way of thinking where intelligence is static or set is defined as a fixed mindset. Such thinkers tend to plateau early and may not reach their true potential, since they give up easily when faced with failure, avoid challenges, see effort as fruitless, ignore constructive feedback, and feel threatened by the success of others. This type of mindset may limit the potential for a promising career, and thus, is not optimal for a lifelong learner of a career in accounting.

The way of thinking where intelligence is developed over time, and leads to a desire to continuously learn is defined as a growth mindset. Such thinkers embrace challenges, persist when faced with difficulties, relate efforts to success, value constructive feedback and criticism, and are inspired by the success of others. This level of thinking helps people to reach the highest level of achievement is optimal for a lifelong learner or a career in accounting.

Ans: N/A, LO 4, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. List at least two different learning methods and include an example of how the method is

used. (Students’ answers may vary)

Solution:

1. Concept maps – outlines, chapter roadmaps, learning objectives
2. Descriptive diagrams – pictures, illustrations, solutions
3. Micro lessons – practice and Now You Do It lessons
4. Scaffolds – comprehensive demonstration exercises and problems
5. Storytelling – chapter opening vignettes, data analytics in action boxes
6. Reflection – end-of-chapter questions

Ans: N/A, LO 4, Bloom: K, Difficulty: Medium, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.

1. Diagram the Bloom’s Taxonomy hierarchy of Learning.

Solution:

|  |
| --- |
| https://cft.vanderbilt.edu/wp-content/uploads/sites/59/Bloomtaxonomy.jpg |

Ans: N/A, LO 4, Bloom: K, Difficulty: Hard, AACSB: Analytic, AICPA: FC, Measurement, Analysis, and Interpretation, IMA: Reporting, IMA: Business Acumen & Operations: Operational Knowledge.