

## Chapter 01: Managerial Accounting and the Business Environment

	Question Type	Difficulty	What is management accounting	Strategic roles of management accounting	Governance, risk and sustainability management	Ethics	Professional
1	T/F	E	x				
2	T/F	M	x				
3	T/F	M		x			
4	T/F	E		x			
5	T/F	E		x			
6	T/F	M		x			
7	T/F	M			x		
8	T/F	M			x		
9	T/F	E			x		
10	T/F	M				x	
11	T/F	M				x	
12	Conceptual M/C	E	x				
13	Conceptual M/C	E	x				
14	Conceptual M/C	E	x				
15	Conceptual M/C	E		x			
16	Conceptual M/C	M					x
17	Conceptual M/C	M			x		
18	Conceptual M/C	H				x	

## Chapter 01: Managerial Accounting and the Business Environment

### True / False Questions

1. Managerial accounting is primarily concerned with the organization as a whole rather than with segments of the organization.

True False

2. Managerial accounting places less emphasis on nonmonetary data than financial accounting.

True False

3. A strategy is a game plan that enables a company to attract customers by mimicking what successful competitors do.

True False

4. Customer value propositions tend to fall into three broad categories—theory of constraints, six sigma, and enterprise risk management. (to modify the question)

True False

5. Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us because we can deliver products and services faster, more conveniently, and at a lower price than our competitors."

True False

6. A value chain consists of the major subassemblies that add value to a product.

True False

## Chapter 01: Managerial Accounting and the Business Environment

7. The Sarbanes-Oxley Act of 2002 was intended to protect the interests of those who invest in publicly traded companies by ensuring that their original investments could be recovered in case of fraud.

True False

8. Enterprise risk management involves replacing risky investments with investments in low-risk government securities.

True False

9. Corporate social responsibility refers to the moral obligation of all corporations to make substantial monetary contributions to charitable causes.

True False

10. The Statement of Ethical Professional Practice promulgated by the Institute of Management Accountants specifically states, among other things, that management accountants have a responsibility to inform responsible journalists of any wrongdoing they uncover in the organization.

True False

11. The Institute of Management Accountants' Statement of Ethical Professional Practice specifically states, among other things, that management accountants have a responsibility to keep information confidential except when disclosure is authorized or legally required.

True False

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### Multiple Choice Questions

12. Managerial accounting:

- A. has its primary emphasis on the future.
- B. is required by regulatory bodies such as the SEC.
- C. focuses on the organization as a whole, rather than on the organization's segments.
- D. Responses a, b, and c are all correct.

13. The plans of management are expressed formally in:

- A. the annual report to shareholders.
- B. Form 10-Q submitted to the Securities and Exchange Commission.
- C. performance reports.
- D. budgets.

14. Which of the following IS a characteristic of financial accounting?

- A. not mandatory
- B. must follow GAAP
- C. emphasis on relevance of data, rather than precision
- D. both A and C above

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

- A. customer intimacy
- B. operational excellence
- C. zero defects
- D. product leadership

## Chapter 01: Managerial Accounting and the Business Environment

16. Which of the following statements is TRUE concerning the CMA?

- A. To earn the CMA, an examination must be passed.
- B. Experience in the accounting field is not necessary to earn the CMA.
- C. Compliance with the Institute of Management Accountants' Statement of Ethical Professional Practice is not necessary to earn the CMA.
- D. Both B and C above.

17. The Sarbanes-Oxley Act of 2002 contains all of the following provisions EXCEPT:

- A. A CFO must be a CPA or CMA.
- B. The audit committee of the board of directors of a company must hire, compensate, and terminate the public accounting firm that audits the company's financial reports.
- C. Severe penalties are established for altering or destroying documents that may eventually be used in an official proceeding.
- D. Both the CEO and CFO must certify in writing that their company's financial statements and accompanying disclosures fairly represent the results of operations.

18. The Institute of Management Accountants' Statement of Ethical Professional Practice states that when faced with significant ethical issues, management accountants should first:

- A. discuss such problems with the immediate superior except when it appears that the superior is involved.
- B. clarify relevant concepts by confidential discussion with an objective advisor to obtain an understanding of possible courses of action.
- C. follow the established policies of the organization bearing on the resolution of such conflict.
- D. submit an informative memorandum describing the ethical issue to an appropriate representative of the organization and resign if no action is taken as a result of the memorandum.

## True / False Questions

1. Managerial accounting is primarily concerned with the organization as a whole rather than with segments of the organization.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Reporting*  
*Objective: What is management accounting*  
*Level: Easy*

2. Managerial accounting places less emphasis on nonmonetary data than financial accounting.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Reporting*  
*Objective: What is management accounting*  
*Level: Medium*

3. A strategy is a game plan that enables a company to attract customers by mimicking what successful competitors do.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Strategic roles of management accounting*  
*Level: Medium*

## Chapter 001: Managerial Accounting and the Business Environment - Key

4. Customer value propositions tend to fall into three broad categories—theory of constraints, six sigma, and enterprise risk management.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Strategic roles of management accounting*  
*Level: Easy*

5. Companies that choose an operational excellence strategy are in essence saying to their customers, "Choose us because we can deliver products and services faster, more conveniently, and at a lower price than our competitors."

**TRUE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Strategic roles of management accounting*  
*Level: Easy*

6. A value chain consists of the major subassemblies that add value to a product.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Strategic roles of management accounting*  
*Level: Medium*

7. The Sarbanes-Oxley Act of 2002 was intended to protect the interests of those who invest in publicly traded companies by ensuring that their original investments could be recovered in case of fraud.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Governance, risk and sustainability management*  
*Level: Medium*

## Chapter 001: Managerial Accounting and the Business Environment - Key

8. Enterprise risk management involves replacing risky investments with investments in low-risk government securities.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Governance, risk and sustainability management*  
*Level: Medium*

9. Corporate social responsibility refers to the moral obligation of all corporations to make substantial monetary contributions to charitable causes.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Governance, risk and sustainability management*  
*Level: Easy*

10. The Statement of Ethical Professional Practice promulgated by the Institute of Management Accountants specifically states, among other things, that management accountants have a responsibility to inform responsible journalists of any wrongdoing they uncover in the organization.

**FALSE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Ethics*  
*Level: Medium*

11. The Institute of Management Accountants' Statement of Ethical Professional Practice specifically states, among other things, that management accountants have a responsibility to keep information confidential except when disclosure is authorized or legally required.

**TRUE**

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
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*Objective: Ethics*  
*Level: Medium*



### Multiple Choice Questions

12. Managerial accounting:

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*AICPA FN: Reporting*  
*Objective: What is management accounting*  
*Level: Easy*

## Chapter 001: Managerial Accounting and the Business Environment - Key

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

- A. customer intimacy
- B. operational excellence
- C. zero defects**
- D. product leadership

*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Objective: Strategic roles of management accounting*

*Level: Easy*

16. Which of the following statements is TRUE concerning the CMA?

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*AACSB: Reflective Thinking*

*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Objective: Professional*

*Level: Medium*

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*AICPA BB: Critical Thinking*

*AICPA FN: Measurement*

*Objective: Governance, risk and sustainability management*

*Level: Medium*

**Chapter 001: Managerial Accounting and the Business Environment - Key**

18. The Institute of Management Accountants' Statement of Ethical Professional Practice states that when faced with significant ethical issues, management accountants should first:
- A. discuss such problems with the immediate superior except when it appears that the superior is involved.
  - B. clarify relevant concepts by confidential discussion with an objective advisor to obtain an understanding of possible courses of action.
  - C. follow the established policies of the organization bearing on the resolution of such conflict.**
  - D. submit an informative memorandum describing the ethical issue to an appropriate representative of the organization and resign if no action is taken as a result of the memorandum.

*AACSB: Reflective Thinking*  
*AICPA BB: Critical Thinking*  
*AICPA FN: Measurement*  
*Objective: Ethics*  
*Level: Hard*