

Horngrens Cost Accounting A Managerial Emphasis 16th **Edition Datar Test Bank**

Cost Accounting: A Managerial Emphasis, 16e (Horngren) **Chapter 1 The Manager and Management Accounting**

1.1 Objective 1.1

1) Management accounting_____.

- A) focuses on estimating future revenues, costs, and other measures to forecast activities and their results
- B) provides information about the company as a whole
- C) reports information that has occurred in the past that is verifiable and reliable
- D) provides information that is generally available only on a quarterly or annual basis

Answer: A

Explanation: Management accounting has a forward-looking orientation as opposed to financial accounting which has a historical perspective.

Diff: 1

Objective: 1

AACSB: Analytical thinking

2) Managers use management accounting information to_____.

- A) help external users such as investors, banks, regulators, and suppliers
- B) communicate, develop, and implement strategies
- C) communicate a firm's financial position to investors, banks, regulators, and other outside parties
- D) ensure that financial statements are consistent with the SEC rules

Answer: B

Diff: 1

Objective: 1

AACSB: Analytical thinking

3) Financial accounting_____.

- A) focuses on the future and includes activities such as preparing next year's operating budget
- B) must comply with GAAP (generally accepted accounting principles)
- C) is the process of measuring, analyzing, and reporting financial and nonfinancial information related to the costs of acquiring or using resources in an organization
- D) is prepared for the use of department heads and other employees

Answer: B

Diff: 1

Objective: 1

AACSB: Analytical thinking

4) Which of the following would most likely be the user of financial accounting information?

- A) factory shift supervisor
- B) distribution manager
- C) current shareholder
- D) department manager

Answer: C

Diff: 1

Objective: 1

AACSB: Analytical thinking

5) The primary user of management accounting information is a(n)_____.

- A) the controller
- B) a shareholder evaluating a stock investment
- C) bondholder
- D) external regulator

Answer: A

Diff: 1

Objective: 1

AACSB: Analytical thinking

6) Financial accounting provides the primary source of information for_____.

- A) decision making in the assembly and finishing department
- B) improving distribution and customer service
- C) preparing the income statement for shareholders and other external parties
- D) planning next year's plans and specifically; the operating budget

Answer: C

Diff: 1

Objective: 1

AACSB: Analytical thinking

7) Which of the following is true of management accounting information?

- A) It focuses on documenting past business actions of a firm.
- B) It is prepared based on SEC rules and FASB accounting principles.
- C) It is prepared for shareholders.
- D) It helps with the coordination of elements of the value chain.

Answer: D

Diff: 2

Objective: 1

AACSB: Analytical thinking

8) Which of the following statements refers to management accounting information?

- A) There are no regulations governing the reports.
- B) The reports are generally delayed and historical.
- C) The audience tends to be stockholders, creditors, and tax authorities.
- D) It primarily measures manager's compensation on reported financial results.

Answer: A

Diff: 2

Objective: 1

AACSB: Analytical thinking

9) Which of the following groups would be least likely to receive detailed management accounting reports?

- A) stockholders
- B) sales managers
- C) production supervisors
- D) distribution managers

Answer: A

Diff: 1

Objective: 1

AACSB: Analytical thinking

10) Management accounting information typically includes_____.

- A) tabulated results of customer satisfaction surveys
- B) the cost of producing a product
- C) the percentage of units produced that are defective
- D) All of these answers are correct.

Answer: D

Diff: 1

Objective: 1

AACSB: Application of knowledge

11) Cost accounting_____.

- A) measures the costs of acquiring or using resources in an organization
- B) measures the financial and nonfinancial information that helps managers make decisions to fulfill the goals of an organization
- C) coordinates product design, production, and marketing decisions and evaluate a company's performance
- D) communicates information to investors, banks, regulators, and other outside parties

Answer: A

Diff: 1

Objective: 1

AACSB: Analytical thinking

12) Which of the following differentiates cost accounting and financial accounting?

- A) The primary users of cost accounting are the investors, whereas the primary users of financial accounting are the managers.
- B) Cost accounting deals with product design, production, and marketing strategies, whereas financial accounting deals mainly with pricing of the products.
- C) Cost accounting measures only the financial information related to the costs of acquiring fixed assets in an organization, whereas financial accounting measures financial and nonfinancial information of a company's business transactions.
- D) Cost accounting measures information related to the costs of acquiring or using resources in an organization, whereas financial accounting measures a financial position of a company to investors, banks, and external parties.

Answer: D

Diff: 2

Objective: 1

AACSB: Analytical thinking

13) Which of the following is true of financial accounting information?

- A) It is prepared based on cost-benefit analysis.
- B) It is primarily used by managers to make internal business decisions.
- C) It focuses on the past-oriented financial performance of a company.
- D) It only measures the cash transactions of a company.

Answer: C

Diff: 2

Objective: 1

AACSB: Analytical thinking

14) A data warehouse or infobarn_____.

- A) is reserved for exclusive use by the CFO
- B) is primarily used for financial reporting purposes
- C) stores information used by different managers for multiple purposes
- D) gathers only nonfinancial information

Answer: C

Diff: 1

Objective: 1

AACSB: Analytical thinking

15) Which of the following is true of cost accounting?

- A) It is a subset of management accounting and therefore its information is used only to meet the needs of managers.
- B) It is used only by manufacturers.
- C) It is part of both management and financial accounting systems.
- D) The distinction between management accounting and cost accounting is clear-cut.

Answer: C

Diff: 2

Objective: 1

AACSB: Analytical thinking

16) Which of the following deals with management accounting?

- A) identifying the costs of acquiring the resources of the company
- B) developing budgets
- C) preparing the income statement
- D) preparing the statement of cash flows

Answer: B

Diff: 1

Objective: 1

AACSB: Analytical thinking

17) Financial accounting is concerned primarily with_____.

- A) external reporting to investors, creditors, and government authorities
- B) cost planning and cost controls
- C) product design and marketing strategies
- D) providing information for strategic and tactical decisions

Answer: A

Diff: 1

Objective: 1

AACSB: Analytical thinking

18) Financial accounting provides a historical perspective, whereas management accounting emphasizes _____.

- A) the future
- B) past transactions
- C) a current perspective
- D) reports to shareholders

Answer: A

Diff: 1

Objective: 1

AACSB: Analytical thinking

19) Rules for measurement and reporting for management accounting _____.

- A) state that information must only be useful to management.
- B) do not need to follow GAAP but must meet the cost-benefit test.
- C) must follow GAAP.
- D) must follow GAAP, IRS rules or government standards.

Answer: B

Diff: 2

Objective: 1

AACSB: Analytical thinking

20) The approaches and activities of managers in short-run and long-run planning and control decisions that increase value for customers and lower costs of products and services are known as _____.

- A) value chain management
- B) enterprise resource planning
- C) cost management
- D) customer value management

Answer: C

Diff: 1

Objective: 1

AACSB: Analytical thinking

21) Financial accounting information focuses on internal reporting.

Answer: FALSE

Explanation: Management accounting information focuses on internal reporting and financial accounting focuses on external reporting.

Diff: 1

Objective: 1

AACSB: Analytical thinking

22) Cost accounting provides information for both management accounting and financial accounting professionals.

Answer: TRUE

Diff: 2

Objective: 1

AACSB: Analytical thinking

23) Management accounting information and reports do not have to follow set principles or rules such as GAAP but should be useful to its audience and meet the cost/benefit test.

Answer: TRUE

Diff: 1

Objective: 1

AACSB: Analytical thinking

24) Management accounting ensures communication of an organization's financial position to investors, banks, and regulators.

Answer: FALSE

Explanation: Financial accounting, not management accounting, ensures communication of an organization's financial position to investors, banks, and regulators.

Diff: 1

Objective: 1

AACSB: Analytical thinking

25) The balance sheet and income statement are primarily management accounting reports.

Answer: FALSE

Explanation: The balance sheet and income statement are primarily financial accounting reports produced for owners, investors, and other external parties that provide capital or regulate the business.

Diff: 1

Objective: 1

AACSB: Analytical thinking

26) Financial accounting is broader in scope than management accounting in that financial accounting can include external reporting and reporting that helps managers plan and control operations.

Answer: FALSE

Explanation: Management accounting is broader in scope than financial accounting as it can encompass some GAAP issues such as inventory valuation and cost of goods sold and it also provides reporting to help managers make decisions and plan and control operations.

Diff: 1

Objective: 1

AACSB: Analytical thinking

27) Cost accounting measures and reports short-term, long-term, financial, and non financial information.

Answer: TRUE

Diff: 2

Objective: 1

AACSB: Analytical thinking

28) Cost accounting is the process of measuring, analyzing, and reporting financial and nonfinancial information related to the costs of acquiring or using resources in an organization.

Answer: TRUE

Diff: 1

Objective: 1

AACSB: Analytical thinking

29) Management accounting has to strictly follow the rules of generally accepted accounting principles for the purposes of measurement and reporting.

Answer: FALSE

Explanation: Internal measures and reports do not have to follow GAAP. Usefulness and the cost/benefit approach are the guiding principles of management accounting.

Diff: 2

Objective: 1

AACSB: Analytical thinking

30) For management accounting, internal measurement and reporting are based on cost-benefit analysis.

Answer: TRUE

Diff: 2

Objective: 1

AACSB: Analytical thinking

31) Management accounting report time spans can vary from one hour to many years, while financial accounting report time periods usually span a quarter or a year.

Answer: TRUE

Diff: 1

Objective: 1

AACSB: Analytical thinking

32) Financial accounting provides an organization's past-oriented information such as the previous years' financial statements.

Answer: TRUE

Explanation: Financial accounting provides an organization's past-oriented information such as the previous years' financial statements.

Diff: 1

Objective: 1

AACSB: Analytical thinking

33) Cost management not only helps reduce costs but also improve customer satisfaction and the quality of a firm's products.

Answer: TRUE

Diff: 1

Objective: 1

AACSB: Analytical thinking

34) For each report listed below, identify whether the major purpose of the report is for (1) routine internal reporting, (2) nonroutine internal reporting, or for (3) external reporting to investors and other outside parties.

Item:

- a. study detailing sale information of the top-ten selling products
- b. weekly report of total sales generated by each store in the metropolitan area
- c. annual Report sent to shareholders
- d. monthly report comparing budgeted sales by store to actual sales

Answer:

- a. (2) nonroutine internal reporting
- b. (1) routine internal reporting
- c. (3) external reporting to investors and other outside parties
- d. (1) routine internal reporting

Diff: 3

Objective: 1

AACSB: Application of knowledge

35) Describe management accounting and financial accounting.

Answer: Management accounting provides information to internal decision makers of the business such as top executives, managers, sales representatives, and production supervisors. Its purpose is to help managers predict and evaluate future results. Reports are generated often and usually broken down into smaller reporting divisions such as department or product line. There are no rules to be complied with since these reports are for internal use only. Management accounting embraces more extensively such topics as the development and implementation of strategies and policies, budgeting, special studies and forecasts, influence on employee behavior, and nonfinancial as well as financial information.

Financial accounting, by contrast, provides information to external decision makers such as investors and creditors. Its purpose is to present a fair picture of the financial condition of the company. Reports are generated quarterly or annually and report on the company as a whole. The financial statements must comply with GAAP (generally accepted accounting principles). A CPA audits, or verifies, that GAAP is being followed.

Diff: 3

Objective: 1

AACSB: Analytical thinking

36) Cost accounting provides information for both management accounting and financial accounting professionals. Explain.

Answer: Cost accounting is the process of measuring, analyzing, and reporting financial and nonfinancial information related to the costs of acquiring or using resources in an organization. For example, calculating the cost of a product is a cost accounting function that meets both the financial accountant's inventory-valuation needs and the management accountant's decision-making needs such as deciding how to price products and choosing which products to promote.

Diff: 3

Objective: 1

AACSB: Analytical thinking