

# Chapter 1--Introduction to Cost Accounting

Student: \_\_\_\_\_

1. Return on investment was used in the 1900's to evaluate business operations.

True False

2. Financial accounting is most concerned with meeting the needs of internal users.

True False

3. Financial accounting is most concerned with meeting the needs of external users.

True False

4. Managerial accounting is most concerned with meeting the needs of internal users.

True False

5. Managerial accounting is most concerned with meeting the needs of external users.

True False

6. Financial accounting is highly regulated by rules and regulations.

True False

7. Managerial accounting is highly regulated by rules and regulations.

True False

8. Financial accounting is most concerned with addressing the needs of the firm as a whole.

True False

9. Managerial accounting is most concerned with addressing the needs of the firm as a whole.

True False

10. Financial accounting is most concerned with addressing the needs of individual departments of the firm.

True False

11. Managerial accounting is most concerned with addressing the needs of individual departments of the firm.

True False

12. Cost accounting serves as a bridge between financial and managerial accounting.

True False

13. Mission statements typically remain unchanged throughout the life of an organization.

True False

14. An organization's strategy should reflect the organization's core competencies.

True False

15. An organization's strategy is the guiding force for its mission.

True False

16. Line managers are directly responsible for achieving organizational goals.

True False

17. Line personnel give assistance to staff employees.

True False

18. The learning and growth perspective of the balanced scorecard focuses on using an organization's intellectual capital to adapt to or influence customer needs and expectations.

True False

19. The internal business perspective of the balanced scorecard focuses on using an organization's intellectual capital to adapt to or influence customer needs and expectations.

True False

20. The learning and growth perspective of the balanced scorecard focuses on using an organization's intellectual capital to adapt to or influence customer needs and expectations.

True False

21. The financial perspective of the balanced scorecard focuses on using an organization's intellectual capital to adapt to or influence customer needs and expectations.

True False

22. The internal business perspective of the balanced scorecard addresses the things that an organization needs to do well to meet customer needs and expectations.

True False

23. The learning and growth perspective of the balanced scorecard addresses the things that an organization needs to do well to meet customer needs and expectations.

True False

24. The customer value perspective of the balanced scorecard addresses the things that an organization needs to do well to meet customer needs and expectations.

True False

25. The financial perspective of the balanced scorecard addresses the things that an organization needs to do well to meet customer needs and expectations.

True False

26. The customer value perspective of the balanced scorecard addresses how well the organization is doing with regard to important customer criteria.

True False

27. The learning and growth perspective of the balanced scorecard addresses how well the organization is doing with regard to important customer criteria.

True False

28. The internal business perspective of the balanced scorecard addresses how well the organization is doing with regard to important customer criteria.  
True False
29. The financial perspective of the balanced scorecard addresses how well the organization is doing with regard to important customer criteria.  
True False
30. The financial perspective of the balanced scorecard addresses stakeholder concerns about profitability and organizational growth.  
True False
31. The learning and growth perspective of the balanced scorecard addresses stakeholder concerns about profitability and organizational growth.  
True False
32. The internal business perspective of the balanced scorecard addresses stakeholder concerns about profitability and organizational growth.  
True False
33. The customer value perspective of the balanced scorecard addresses stakeholder concerns about profitability and organizational growth.  
True False
34. An organization's return on assets (ROA) is an example of a lead indicator.  
True False
35. An organization's profitability is an example of a lag indicator.  
True False
36. The Sarbanes-Oxley Act of 2002 provides legal protection for individuals who report illegal organizational activities to appropriate persons or agencies.  
True False

37. The Foreign Corrupt Practices Act of 1977 provides legal protection for individuals who report illegal organizational activities to appropriate persons or agencies.

True False

38. The branch of accounting that is most concerned with addressing the needs of the firm as a whole is \_\_\_\_\_ accounting

\_\_\_\_\_

39. The branch of accounting that is most concerned with addressing the needs of specific departments of the firm is \_\_\_\_\_ accounting

\_\_\_\_\_

40. The branch of accounting that serves as a bridge between financial and managerial accounting is \_\_\_\_\_ accounting.

\_\_\_\_\_

41. The expression of what an organization wishes to accomplish and how it will serve its customers is contained in the \_\_\_\_\_.

\_\_\_\_\_

42. The plan in which an organization indicates how it will fulfill its goals is referred to as a \_\_\_\_\_.

\_\_\_\_\_

43. A function or activity in which an organization seeks to excel above its competitors is a \_\_\_\_\_.

\_\_\_\_\_

44. The way in which authority and responsibility are distributed in an organization is \_\_\_\_\_.

\_\_\_\_\_

45. The balanced scorecard perspective that focuses on using a firm's intellectual capital to adapt to customer needs through product or service innovations is the \_\_\_\_\_ perspective.

\_\_\_\_\_

46. The balanced scorecard perspective that addresses things that an organization needs to do well to meet customer needs and expectations is the \_\_\_\_\_ perspective.

\_\_\_\_\_

47. The balanced scorecard perspective that addresses how well the organization is meeting specific customer-based criteria is the \_\_\_\_\_ perspective.

\_\_\_\_\_

48. The balanced scorecard perspective that addresses concerns about organizational growth is the \_\_\_\_\_ perspective.

\_\_\_\_\_

49. The \_\_\_\_\_ restates an organization's strategy into clear and objective performance measures.

\_\_\_\_\_

50. Outcomes that have resulted from past actions are also referred to as \_\_\_\_\_ indicators.

\_\_\_\_\_

51. Data that reflects future financial and non-financial outcomes is referred to as \_\_\_\_\_ indicators.

\_\_\_\_\_

52. When an organization attempts to "adjust" its profits to meet a specific target, it is guilty of \_\_\_\_\_.

\_\_\_\_\_

\_\_\_\_\_

53. In comparing financial and management accounting, which of the following more accurately describes management accounting information?

- A. historical, precise, useful
- B. required, estimated, internal
- C. budgeted, informative, adaptable
- D. comparable, verifiable, monetary

54. Management and financial accounting are used for which of the following purposes?

Management accounting

Financial accounting

- |             |          |
|-------------|----------|
| A. internal | external |
| B. external | internal |
| C. internal | internal |
| D. external | external |

55. One major difference between financial and management accounting is that

- A. financial accounting reports are prepared primarily for users external to the company.
- B. management accounting is not under the jurisdiction of the Securities and Exchange Commission.
- C. government regulations do not apply to management accounting.
- D. all of the above are true.

56. Which of the following statements about management or financial accounting is **false**?

- A. Financial accounting must follow GAAP.
- B. Management accounting is not subject to regulatory reporting standards.
- C. Both management and financial accounting are subject to mandatory recordkeeping requirements.
- D. Management accounting should be flexible.

57. Management accounting

- A. is more concerned with the future than is financial accounting.
- B. is less concerned with segments of a company than is financial accounting.
- C. is more constrained by rules and regulations than is financial accounting.
- D. all of the above are true.

58. Modern management accounting can be characterized by its

- A. flexibility.
- B. standardization.
- C. complexity.
- D. precision.

59. Which of the following is **not** a valid method for determining product cost?

- A. arbitrary assignment
- B. direct measurement
- C. systematic allocation
- D. cost-benefit measurement

60. Broadly speaking, cost accounting can be defined as a(n)

- A. external reporting system that is based on activity-based costs.
- B. system used for providing the government and creditors with information about a company's internal operations.
- C. internal reporting system that provides product costing and other information used by managers in performing their functions.
- D. internal reporting system needed by manufacturers to be in compliance with Cost Accounting Standards Board pronouncements.

61. Cost accounting is directed toward the needs of

- A. regulatory agencies.
- B. external users.
- C. internal users.
- D. stockholders.

62. Cost accounting is necessitated by

- A. the high degree of conversion found in certain businesses.
- B. external reporting requirements for manufacturing companies.
- C. management's need to be aware of all production activities.
- D. management's need for information to be used for planning and controlling activities.

63. Financial accounting

- A. is primarily concerned with internal reporting.
- B. is more concerned with verifiable, historical information than is cost accounting.
- C. focuses on the parts of the organization rather than the whole.
- D. is specifically directed at management decision-making needs.

64. Financial accounting and cost accounting are both highly concerned with

- A. preparing budgets.
- B. determining product cost.
- C. providing managers with information necessary for control purposes.
- D. determining performance standards.

65. Which of the following topics is of more concern to management accounting than to cost accounting?

- A. generally accepted accounting principles
- B. inventory valuation
- C. cost of goods sold valuation
- D. impact of economic conditions on company operations

66. Cost and management accounting

- A. require an entirely separate group of accounts than financial accounting uses.
- B. focus solely on determining how much it costs to manufacture a product or provide a service.
- C. provide product/service cost information as well as information for internal decision making.
- D. are required for business recordkeeping as are financial and tax accounting.

67. Which of the following statements is true?

- A. Management accounting is a subset of cost accounting.
- B. Cost accounting is a subset of both management and financial accounting.
- C. Management accounting is a subset of both cost and financial accounting.
- D. Financial accounting is a subset of cost accounting.

68. Which of the following statements is **false**?

- A. A primary purpose of cost accounting is to determine valuations needed for external financial statements.
- B. A primary purpose of management accounting is to provide information to managers for use in planning, controlling, and decision making.
- C. The act of converting production inputs into finished products or services necessitates cost accounting.
- D. Two primary hallmarks of cost and management accounting are standardization of procedures and use of generally accepted accounting principles.

69. The organization whose primary function is to provide a means to share information among cost and management accountants in the United States is the

- A. Internal Revenue Service.
- B. American Institute of CPAs.
- C. Institute of Management Accountants.
- D. Institute of Certified Management Accountants.

70. The Institute of Management Accountants issues

- A. Statements on Accounting Research for Managers.
- B. Statements on Management Accounting.
- C. Statements on Managerial and Cost Accounting.
- D. Cost Accounting Standards.