

Cost Management: A Strategic Emphasis, 8e (Blocher)
Chapter 1 Cost Management and Strategy

- 1) Which of the following does not represent a main focus of cost management information?
- A) Strategic management.
 - B) Performance measurement.
 - C) Planning and decision making.
 - D) Preparation of financial statements.
 - E) Internal audit and control.

Answer: E

Difficulty: 1 Easy

Topic: The Four Functions of Management

Learning Objective: 01-01 Explain the use of cost management information in each of the four functions of management and in different types of organizations, with emphasis on the strategic management function.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking; FN Measurement

- 2) Strategic management can be defined as the development of a sustainable:
- A) Chain of command.
 - B) Competitive position.
 - C) Cash flow.
 - D) Business entity.
 - E) Company image.

Answer: B

Difficulty: 1 Easy

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AACSB: Reflective Thinking

AICPA: BB Critical Thinking

3) Cost management has moved from a traditional role of product costing and operational control to a broader strategic focus, which places an emphasis on:

- A) Competitive pricing.
- B) Domestic marketing.
- C) Short-term thinking.
- D) Strategic thinking.
- E) Independent judgment.

Answer: D

Difficulty: 1 Easy

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4) All of the following are examples of total quality management practices except:

- A) Redesign of a product to reduce its parts by 50 percent.
- B) Reduction in the movement required in a manufacturing job.
- C) Separating the sales and services functions.
- D) Raising raw material quality standards.
- E) Cross-training assembly line workers to cover sick leave absences.

Answer: C

Difficulty: 2 Medium

Topic: Contemporary Management Techniques

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Resource Management

- 5) In a local factory, employees are rewarded for finding new and better ways of changing the way they work. This company is motivating its employees to use what management technique?
- A) Benchmarking.
 - B) Activity-Based Costing.
 - C) Theory of Constraints.
 - D) Continuous Improvement.
 - E) Total Quality Management.

Answer: D

Difficulty: 1 Easy

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Bloom's: Understand

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- 6) A company's management accountant is trying to improve the way costs are allocated within the company. Currently, several corporate expenses are grouped together and labeled "overhead." If the accountant wanted to use activity-based costing (ABC) to help solve the problem, what should she do?
- A) She should try to trace the departments' costs to their cost objects, and then charge each department based on those cost relationships.
 - B) She should research how the company's competitors are allocating their costs, and then implement one of those strategies.
 - C) She should look for bottlenecks within the production process, and try to eliminate them, thus reducing costs.
 - D) She should examine the firm's value chain and apply target costing before adopting ABC.

Answer: A

Difficulty: 2 Medium

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Bloom's: Understand

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AICPA: BB Critical Thinking; FN Measurement

7) The difference between wholesalers and retailers is:

- A) Wholesalers are merchandisers that sell directly to customers whereas retailers are merchandisers that sell to other merchandisers.
- B) Wholesalers are merchandisers that sell to other merchandisers whereas retailers are merchandisers that sell directly to consumers.
- C) Wholesalers are merchandisers that sell directly to the government whereas retailers are merchandisers that sell to other merchandisers.
- D) Wholesalers are merchandisers that sell directly to customers whereas retailers are merchandisers that sell directly to the government.
- E) There is no difference between wholesalers and retailers.

Answer: B

Difficulty: 1 Easy

Topic: Types of Organizations

Learning Objective: 01-01 Explain the use of cost management information in each of the four functions of management and in different types of organizations, with emphasis on the strategic management function.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Industry

8) When managers produce value for the customer, their orientation consists of all the following except:

- A) Quality and Service.
- B) Timeliness of delivery.
- C) The ability to respond to the customer's desire for specific features.
- D) State of the art manufacturing facilities.

Answer: D

Difficulty: 1 Easy

Topic: The Contemporary Business Environment

Learning Objective: 01-02 Explain the contemporary business environment and how it has influenced cost management.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking

- 9) A practical example of when the theory of constraints would not be an appropriate management technique to use would be:
- A) Long lines at checkout stands.
 - B) Busy signals on Internet server sites.
 - C) One critical production process provides 60 parts/min. output, compared with a company-wide output of 90 parts/min.
 - D) Balanced, fast movement of the product through the plant.

Answer: D

Difficulty: 2 Medium

Topic: Contemporary Management Techniques

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.

Bloom's: Apply

AACSB: Knowledge Application

AICPA: BB Critical Thinking

- 10) Target costing determines the desired cost for a product upon the basis of a given competitive price such that the product will:
- A) Earn at least a small profit.
 - B) Earn a desired profit.
 - C) Earn the maximum profit.
 - D) Break even.
 - E) Sell the highest volume.

Answer: B

Difficulty: 1 Easy

Topic: Contemporary Management Techniques

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking; FN Measurement

11) Which of the following is not a contemporary management technique used by the management accountant to focus on process improvement?

- A) Enterprise risk management
- B) Lean accounting
- C) Life cycle costing
- D) Enterprise sustainability

Answer: C

Difficulty: 1 Easy

Topic: Contemporary Management Techniques

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking

12) The strategy map is a tool that is used:

- A) as one of the key aspects of the contemporary management environment.
- B) to enhance the sustainability of the organization.
- C) to link the perspectives of the balanced scorecard.
- D) to organize the critical success factors of a company.
- E) to implement strategy.

Answer: C

Difficulty: 1 Easy

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Bloom's: Understand

AACSB: Reflective Thinking

AICPA: BB Critical Thinking

13) Cost management information typically is the responsibility of the:

- A) Chief Financial Officer.
- B) Controller.
- C) Treasurer.
- D) Chief Information Officer.

Answer: B

Difficulty: 2 Medium

Topic: Management Accounting and the Role of Cost Management

Learning Objective: 01-01 Explain the use of cost management information in each of the four functions of management and in different types of organizations, with emphasis on the strategic management function.

Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking

14) Which of the following aspects of a company would not be considered a critical success factor, for a company that competes on differentiation?

- A) Cutting edge research and development.
- B) Excellent customer service.
- C) Award-winning product quality.
- D) Continually beating competitors to the market with new, innovative products.
- E) A high level of production efficiency.

Answer: E

Difficulty: 1 Easy

Topic: The Strategic Focus of Cost Management; Developing a Competitive Strategy

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.; 01-02 Explain the contemporary business environment and how it has influenced cost management.

Bloom's: Understand

AACSB: Reflective Thinking

AICPA: BB Critical Thinking

15) Target costing:

- A) Determines cost based on an expected market demand for the product.
- B) Determines cost based on a budget.
- C) Determines cost based on standard cost.
- D) Determines cost based upon market price and desired profit.

Answer: D

Difficulty: 1 Easy

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Bloom's: Remember

AACSB: Reflective Thinking

AICPA: BB Critical Thinking; FN Measurement

16) If a firm decided to reevaluate and reorganize the way it did business, in hopes of creating competitive advantage, by changing or removing employee positions, the company would be using which of the following management techniques?

- A) The value chain.
- B) Business analytics.
- C) Business process improvement.
- D) Product reevaluation.
- E) Life cycle costing.

Answer: C

Difficulty: 1 Easy

Topic: Contemporary Management Techniques

Learning Objective: 01-03 Explain the contemporary management techniques and how they are used in cost management to respond to the contemporary business environment.

Bloom's: Analyze

AACSB: Analytical Thinking

AICPA: BB Resource Management; FN Risk Analysis

17) A consulting firm is trying to increase the long-term strategic focus of its company reports. Therefore, the firm has decided to use the balanced scorecard. What type of new information, that the company currently does not use in its financial reports, should the company now include?

- A) Nonfinancial information, including customer satisfaction, innovation, etc.
- B) Additional financial information, such as profitability measures and market value.
- C) Product life cycle information.
- D) Supplemental accounting reports.
- E) Continuous improvement.

Answer: A

Difficulty: 2 Medium

Topic: Contemporary Management Techniques

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Bloom's: Understand

AACSB: Reflective Thinking

AICPA: FN Measurement; BB Industry