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Questions & Answers PDF

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Question: 1

Using the balanced scorecard concept in performance management helps an organization achieve which goal?

- A. Provide feedback on how goals are being met
- B. Manage the performance of a strategic plan
- C. Ensure continuous quality improvement
- D. Minimize production delays and backlogs

Answer: C

Explanation:

The balanced scorecard approach is a non-financial measure of performance evaluation, with the goal of continuous quality improvement. The balanced scorecard approach uses several performance measurements to determine how well the organization is meeting its objectives. These performance measurements are linked to financial outcomes, customer outcomes, and business process outcomes.

Question: 2

Which business process measure is a component of the balanced scorecard concept?

- A. Ability to retain customers
- B. Ability to meet customer demands
- C. Training employees in new processes
- D. Ability to respond to customer needs

Answer: B

Explanation:

Business process measures are internal processes— either mission-oriented or support in nature— that work to indicate how well a business is operating. Mission- oriented processes include the ability to keep up with technology and creating a more efficient manufacturing environment. Support processes may include the introduction of new products and ability to meet customer demands for a product. The learning and growth measures include employee training, employee self-improvement, and organizational self-improvement. The customer measures focus on the customers' needs and satisfaction with the business' products and services.

Question: 3

Controllability is used to administer organizational planning activities by.,,

- A. preparing an annual budget
- B. managing sales
- C. managing tasks and jobs, costs, and revenues
- D. creating pro forma income statements

Answer: C

Explanation:

Controllability is a manager's ability to influence those individuals that perform tasks, incur costs and generate revenues. The controllability efforts of managers include monitoring costs, and determining where and how costs can be reduced. Costs are controlled, in part, by a managers decisions regarding personnel and workflow, and the procedures used to ensure jobs and tasks are completed in a timely and efficient manner. In making these decisions, managers rely on the annual budget as the foundation of the cost control process. The actual costs for the budget period are compared to the annual budget and the evaluation process helps set new plans to reduce costs and increase revenues.

Question: 4

Which type of expense is NOT included in the cost of goods sold?

- A. Labor expenses
- B. Material expenses
- C. Overhead expenses
- D. Sales expenses

Answer: D

Explanation:

The cost of goods sold is the sum of costs incurred in the production of products, including direct material expenses, direct labor expenses, and overhead expenses. These expenses can be either fixed or variable. Overhead cost is the sum of all manufacturing costs except direct materials and direct labor. Overhead cost includes indirect material costs, indirect labor costs, depreciation, equipment setup costs, quality control costs, maintenance costs, employee benefit costs, payroll taxes, and insurance costs.

Question: 5

Which is true with respect to the difference that variable costing versus absorption costing would have on an income statement?

- A. Absorption costing uses variable costs classified by job
- B. Inventory figures are reported differently
- C. Variable costing defers fixed overhead costs
- D. Costs are not reported as a cost of goods sold

Answer: B

Explanation:

Inventory figures are reported differently, variable costing and absorption costing report inventory figures differently. In variable costing variable manufacturing costs are included in the inventory figure. In absorption costing, fixed and variable manufacturing costs are included in the inventory figure. When absorption costing is used, the data provided cannot be used for cost-volume-profit analysis because there is no distinction between fixed and variable costs. Variable costing, on the other hand, uses only variable costs which are classified by job or task. When using absorption costing, fixed overhead costs incurred in the current period are deferred to future reporting periods when inventory levels increase. When these inventory items are sold, the fixed overhead costs are reported as a cost of goods sold.

Question: 6

What is the difference between job order costing and process costing?

- A. Process costing allocates costs over a product's life cycle
- B. Job order costing allocates costs to a production department
- C. Job order costing allocates costs to a job, contract, or order
- D. Process costing allocates costs to a product

Answer: C

Explanation:

Job order costing allocates costs to a job, contract, or order. Job order costing distributes costs to a respective job, contract, or order. It identifies direct costs with a specified unit of production or service. Job order costing is used when an organization performs custom manufacturing jobs in which costs need to be applied to a specific customer's order. Process costing distributes costs to the respective department or production process. Direct materials, direct labor, and overhead are charged to the department or process that uses the cost. Activity-based costing distributes expenses among a range of an organization's products depending on the actions performed within the organization. Each employee's time is allocated between the activities that are performed. Life-cycle costing keeps track of the income and expenses of a product during its entire life cycle, extending from the research and development phases through the introduction, growth and maturity stages and to the decline stage.

Question: 7

Which type of costing method is used in just-in-time manufacturing environments?

- A. Job order costing
- B. Process costing
- C. Backflush costing
- D. Operation costing

Answer: C

Explanation:

Just-in-time manufacturing environments use backflush costing because the costing process is not performed, nor are costs calculated, until the products are finished. Once completed, the costs are finalized and assigned throughout the system to each product. Operation costing a cross between job order costing and process costing, is used by organizations that produce a number of similar products with each individual product a slight variation of the basic design. The types of activities that are best suited for job order costing include construction, accounting and legal services, printing and publishing, automobile and equipment maintenance, and consulting. Process costing is most effective in industries that produce only a few products, such as food products, textiles, chemicals and utilities.

Question: 8

Which item is considered an explicit cost?

- A. Utilities
- B. Goodwill
- C. Cost of goods sold
- D. Office supplies

Answer: D

Explanation:

Explicit costs are tangible business expenses that include wages, office rent, and office supplies, costs of goods sold, and legal fees. Fixed costs are costs of doing business that do not fluctuate depending on the level of production or the time period. Examples of fixed costs are rents, insurance, salaried payroll, and utility bills. An implicit cost is an opportunity cost incurred when a business uses its own resources to finance one project over another. Variable costs are those costs that change, depending on the activities in which the business is involved or with the level of production. Variable costs are considered to be a part of cost of goods sold, such as inventory costs for a retailer and material costs for a manufacturer



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