

Horngrén's Accounting, 12e (Miller-Nobles et al.)
Chapter 18 Introduction to Managerial Accounting

18.1 Learning Objective 18-1

1) Managerial accounting focuses on providing information for internal planning and control.

Answer: TRUE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

2) Financial accounting prepares reports for internal purposes, whereas managerial accounting provides information to external stakeholders.

Answer: FALSE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

3) Financial statements prepared for investors and creditors often include forward-looking information because they make decisions based on a company's future prospects.

Answer: FALSE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

4) Managerial accounting reporting by a public firm is required to follow the rules of GAAP.

Answer: FALSE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

5) Planning requires managers to look to the future and establish goals for the business.

Answer: TRUE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Managerial Accounting Functions

6) Financial reporting is typically much more detailed than managerial accounting.

Answer: FALSE

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

7) Which of the following is a focus of managerial accounting?

A) to generate a company's financial statements for tax reporting

B) to provide information to business managers to assist them in controlling their businesses

C) to provide information to shareholders to assist them with their investment decisions

D) to ensure that the reports produced for internal and external business purposes are GAAP compliant

Answer: B

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

8) Which of the following statements is TRUE of managerial accounting?

A) The external stakeholders of a company are the primary users of managerial accounting.

B) Managerial accounting information is used to help managers plan, direct and control their operations.

C) An external audit by an independent CPA is required for managerial accounting information.

D) Managerial accounting information must comply with Generally Accepted Accounting Principles.

Answer: B

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

9) Managerial accounting information for a company is primarily used by _____.

- A) its customers to understand the pricing of the product
- B) its creditors to understand the credibility of the business
- C) its employees to plan, direct and control operations
- D) its investors to make their investment decisions

Answer: C

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

10) Which of the following statements is TRUE of financial accounting?

- A) It provides information to investors needed for their investment decisions.
- B) It provides future focused information needed for managing and delegating operations.
- C) It focuses on detailed reports for parts of the company rather than the whole company.
- D) It focuses on planning, directing and controlling day-to-day operations.

Answer: A

Diff: 1

LO: 18-1

AACSB: Application of knowledge

AICPA Functional: Reporting

PE Question Type: Concept

H2: Why is Managerial Accounting Important? (H1)

11) Managerial accounting includes the planning function. Which of the following items would be part of the planning function of a business's managerial accounting?

- A) comparing actual to expected results
- B) choosing goals and deciding how to achieve them
- C) monitoring operations to keep the company on track
- D) monitoring and evaluating the results of operations

Answer: B

Diff: 1

LO: 18-1

AACSB: Analytical thinking

AICPA Functional: Reporting

PE Question Type: Concept

H2: Managerial Accounting Functions