IIA.IIA-CIA-Part3.v2021-09-30.q250

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NEW QUESTION: 1
An internal auditor for a large automotive parts retailer wishes to perform a risk analysis and wants to use an appropriate statistical tool to help identify stores that would be out of line compared to the majority of stores. The most appropriate statistical tool to use is
A. Linear time series analysis.
B. Cross-sectional regression analysis.
C. Cross tabulations with chi-square analysis of significance.
D. Time series multiple regression analysis to identify changes in individual stores overtime.
Answer: B (LEAVE A REPLY)
Time series data pertain to a given entity over a number of prior time periods. Cross sectional data, however, pertain to different entities for a given time period or at a given time.
Thus, cross-sectional regression analysis is the most appropriate statistical tool because it compares attributes of all stores' operating statistics at one moment in time.

NEW QUESTION: 2
An entity sells a piece of machinery, for cash, prior to the end of its estimated useful life.
The sale price is less than the carrying amount of the asset on the date of sale. The entry that the entity uses to record the sale is:


A. Cash
Accumulated depreciation -- machinery
Expense -- disposal of machinery
Machinery
B. Cash
Accumulated depreciation -- machinery
Income -- disposal of machinery
Machinery
C. Cash
Expense -- disposal of machinery
Accumulated depreciation -- machinery
Machinery
D. Cash
Machinery
Accumulated depreciation -- machinery
Expense -- disposal of machinery

A. Option A
B. Option B
C. Option C

D. Option D

Answer: A (LEAVE A REPLY)

The cash account is debited for the amount of the sale product. The machinery account and the related accumulated depreciation account are eliminated by a credit and a debit respectively. Because the sale price was less than the carrying amount of the asset on the date of sale, a loss on disposal should be recognized in profit or loss. The term "expenses" includes losses.

NEW QUESTION: 3

A post office serves customers in a single line at one service window. During peak periods, the rate of arrivals has a Poisson distribution with an average of 100 customers per hour and service times that are exponentially distributed with an average of 60 seconds per customer. From this, one can conclude that the:

A. Queue will expand to infinity.

B. Server will be idle one-sixth of the time.

C. Average rate is 100 customers per hour.

D. Average customer waiting time is 2.5 minutes.

Answer: (SHOW ANSWER)

One hundred customers arrive in line per hour and only 60 are serviced per hour. Accordingly, the queue will expand to infinity during peak periods.

NEW QUESTION: 4

What is the contribution margin of Division B?

A. US $150,000

B. US $205,000

C. US $235,000

D. US $265,000

Answer: (SHOW ANSWER)

The contribution margin equals revenue minus variable costs. Thus, Division B's contribution margin is US $265,000 $400,000 sales + $15,000 other revenue - $65,000 direct materials - $40,000 direct labor-$15,000 variable overhead - $30,000 variable S&A expense).

NEW QUESTION: 5

The Huron Corporation purchases 60,000 headbands per year. The average purchase lead time is 20 working days, and the maximum lead time is 27 working days. Safety stock equals 1,750 units. The corporation works 240 days per year. Huron should reorder headbands when the quantity in inventory reaches:

A. 5,000 units.

B. 6,750 units.

C. 1,750 units.

D. 5,250 units.

Answer: B (LEAVE A REPLY)

The reorder point is the quantity on hand when an order is placed. If it has 20-day normal lead time, a safety stock of 1,750 units, and usage of 250 units per day, an order should be placed when 27 days of inventory are on hand, a total of 6,750 units 250 units 27 days).

Jed Ryerson Computer Furniture, Inc. RCF) manufactures a line of office computer chairs. The annual demand for the chairs is estimated to be 5,000 units. The annual cost to hold one unit in inventory is US 10 per year, and the cast to initiate a production run is US $1,000.

There are no computer chairs on hand, and RCF has scheduled four equal production runs of computer chairs for the coming year, the first of which is to be run immediately. RCF has 250 business days per year, sales occur uniformly throughout the year, and production start-up is within one day. RCF is considering using the following formula for determining the economic order quantity EOQ):

$$ECQ = \sqrt{\frac{2AD}{K}}$$

If: A = cast to initiate a production run per purchase order D = annual unit demand K = cost of carrying one unit per year

NEW QUESTION: 6

Business combinations are accomplished either through a direct acquisition of assets and liabilities by a surviving corporation or by stock investments in one or more companies.

A parent-subsidiary relationship always arises from a

A. Tax-free reorganization.

B. Vertical combination.

C. Horizontal combination.

D. Greater than 50% stock investment in another entity.

Answer: (SHOW ANSWER)

A parent-subsidiary relationship arises from an effective investment in the stock of another enterprise in the stock of 50%. The financial statements for the two companies ordinarily should be presented on a consolidated basis. To the extent the corporation is not wholly-owned, a noncontrolling interest is presented.

NEW QUESTION: 7

Only two companies manufacture Product A. The finished product is identical regardless of which company manufactures it. The cost to manufacture Product A is US$1, and the selling price is US $2. One company considers reducing the price to achieve 100% market share but fears the other company will respond by further reducing the price. Such a scenario would involve a:

A. No-win strategy.

B. Dual-win strategy.

C. One win-one lose strategy.

D. Neutral strategy.

Answer: A (LEAVE A REPLY)

If both firms reduce the selling price of Product A, neither will gain sales and the resultant price war will cause both firms to earn lower profits. This outcome is inevitable when reduced profit margins do not result in a significant increase in sales. This is classified as a no-win strategy.

NEW QUESTION: 8

Which of the following statements is true regarding an organization's servers?

A. Servers manage the interconnectivity of system hardware devices in the information system.

B. Servers enforce access controls between networks transmitting data on the information system

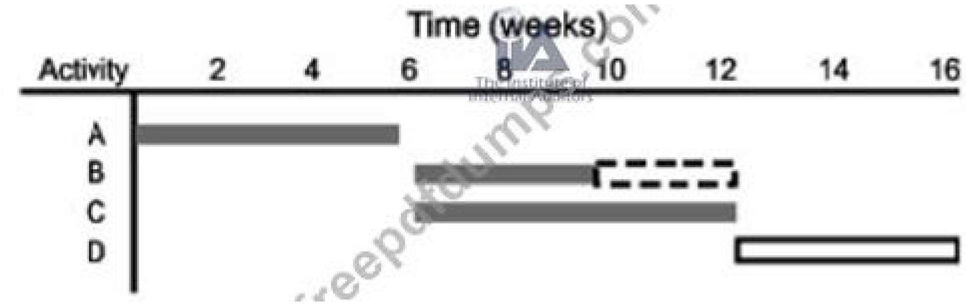
C. Servers optimize data processing by sharing it with other computers on the information system

D. Servers manage the data stored in databases residing on the information system.

Answer: (SHOW ANSWER)

NEW QUESTION: 9
Which of the following terms is not used in project management?
A. Dummy activity.
B. Latest finish.
C. Optimistic time.
D. Lumpy demand.
Answer: D (LEAVE A REPLY)
Project management concerns managing teams assigned to special projects. Lumpy demand refers to periodic demand for a product or service that increases in large, lumpy increments.

NEW QUESTION: 10
In the Gantt chart below, shaded bars represent completed portions of activities, bars depicted with broken lines represent uncompleted portions, and blank bars represent activities notyet begun.



As of week 8, the Gantt chart shows that the project is:
A. Complete.
B. Ahead of schedule.
C. On schedule.
D. Behind schedule.
Answer: (SHOW ANSWER)
Activities B and C are the only activities that should be underway during week 8. Since both are underway and on schedule, the project is on schedule.

NEW QUESTION: 11
A new asset with a fair value of US $100.000 and a useful life of 10 years is being leased by an entity lessee). Which of the situations below will most likely result in classifying the
lease on the lessee's books as a finance lease?
A. The lease term is 7 years.
B. The lease term is 8 years.
C. The present value of the minimum lease payments is US $60.000.
D. The present value of the minimum lease payments is US $70.000.
Answer: B (LEAVE A REPLY)
A lease may be classified a lessee a finance lease of an operating lease by a lessee. A finance lease transfers substantially all of the risk and rewards of ownership of the asset to the lessee. A lease is classified at its inception. It normally is classified as a financial lease if for example.

1.The lease providers for the transfer of ownership of the asset by the end of the lease term.
2.The lease contains a bargain purchase option: i.e. to be sufficiently below the fair value reasonably certain.
3.The lease term is for the major part of the economic life of the asset.
4.The present value of the minimum lease payment lease is at least substantially all of the fair value of the leased asset at the inception of the lease.
5.The leased assets are such that they can be used only by the lessee without major modification. Thus, a lease term that is 80%8 / 10) of the economic life of the asset will most likely result in classifying the lease as a finance lease assuming that 80% is a "major part" of the economic life of the asset.

NEW QUESTION: 12
A change in an accounting estimate is shown on the income statement:
A. Only in the relevant account
B. In a separate section entitled extraordinary items.
C. In a separate section after continuing operations but before extraordinary items.
D. As a cumulative-effect adjustment.
Answer: A (LEAVE A REPLY)
A change in an accounting estimate is accounted for prospectively and is shown on the income statement only in the relevant account. The effect of the change is included in the same income statement classification as the previous estimate. However, prior-period statements and opening balances are not adjusted.

NEW QUESTION: 13
A rapidly expanding retail organization continues to be tightly controlled by its original small management team.
Which of the following is a potential risk in this vertically centralized organization?
A. Lack of coordination among different business units.
B. Duplication of business activities.
C. Suboptimal decision-making.
D. Operational decisions are inconsistent with organizational goals.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 14
If the organization employs an activity-based costing system, the cost per unit for the product described for the coming year will be:
A. US $ 6.00
B. US $ 6.08
C. US $ 6.21
D. US $ 6.30
Answer: D (LEAVE A REPLY)
Materials handling cost per part is US $.12 7720,000 + 6,000,000), cost per setup is US $420 $315,000 - 750), machining cost per hour is US $18 $540.000 - 30.000), and quality cost per batch is US 700 $225,000 - 500). Hence, total manufacturing hued applied is US $22,920 [5 parts per unit) x 20,000 units x $.12) + 4 batches x 2 setups per batch x $420 + 4 batches x 80 machine hours per batch x $18 + 4 batches $450)]. The total unit cost is US $6.2'.z.16 [$5-15 prime cost + $22,920 - 20.000 units) overhead].

NEW QUESTION: 15

An individual had taxable income of US $23,r_ir_ir' per year and paid US $8,000 in income tax. The individual's taxable income then increased to US $30,000 per year resulting in a US $10,000 income tax liability. The personal tax system being applied to this individual is:

A. Progressive.

B. Regressive.

C. Marginal.

D. Proportional.

Answer: B (LEAVE A REPLY)

The average t rate of the individual has decreased from 34.8% US $8,000 - $23,000) to 33.3% (US $10.000 Under a regressive tax system, the average tax rate falls as income rises, although the amount of tax paid may rise.

NEW QUESTION: 16

If Bandit Co. uses the <List A> approach to estimate bad debt expense, the estimated bad debt expense will be <List Be.

	List A	List B
A.	Balance sheet	US $20,000
B.	Balance sheet	US $100,000
C.	Income statement	US $20,000
D.	Income statement	US $50,000

A. Option A

B. Option B

C. Option C

D. Option D

Answer: (SHOW ANSWER)

Using the income statement approach, the bad debt expense is determined using a percentage of total credit sales. Thus, bad debt expense is US $20,000$400,000 credit sales x 5% estimated bad debt rate).

NEW QUESTION: 17

In computing the loss per share of ordinary shares, cumulative preference dividends not earned should be:

A. Deducted from the loss for the year.

B. Added to the loss for the year.

C. Deducted from income in the year paid.

D. Added to income in the year paid.

Answer: B (LEAVE A REPLY)

When preference shares are cumulative, the dividend, whether earned or not, is deducted from profit or loss from continuing operations and profit or loss, or added to any loss for the year, in computing earnings or loss. When preference shares are noncumulative, an adjustment is made for dividends declared. If the dividend is cumulative only if earned, no adjustment is necessary except to the extent of available income: that is, the preference dividends accumulate only to the extent of profit or loss.

NEW QUESTION: 18

An organization produces two products, X and Y.

The materials used for the production of both products are limited to 500 kilograms (kg) per month. All other resources are unlimited and their costs are fixed.

Individual product details are as follows:

Product X

Product Y

Selling price per unit

$10

$13

Materials per unit (at $1/kg)

2 kg

6 kg

Monthly demand

100 units

120 units

In order to maximize profit, how much of product Y should the organization produce each month?

A. 60 units.

B. 100 units.

C. 120 units.

D. 50 units.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 19

A company is formulating its plans for the coming year, including the preparation of its cash budget. Historically. 30% of the company's sales are cash sales. The remaining 70% are credit sales with the following collection pattern:

Collections on Account	Percentage
In the month of sale	40%
In the month following the sale	58%
Uncollectible	2%

Sales for the first 5 months of the coming year are forecast as follows:

January	US $3,500,000
February	3,800,000
March	3,600,000
April	4,000,000
May	4,200,000

For the month of April, the total cash receipts from sales and collections on account would be:

A. US$3,729,968

B. US$3,781,600
C. US$4,025,200
D. US$4,408,000
Answer: (SHOW ANSWER)
The cash receipts for April equal April's cash sales (US $4,000,000 * 30% = US $1.200, 000), 40% of April's credit sales, and 58% of March's credit sales. Consequently, total cash receipts equal US $3,781,600 [$1,200,000 + ($4,000,000 * 40% x 70%) + ($3,600,000 x 58% x 70%)].

NEW QUESTION: 20
When using PERT Program Evaluation Review Technique), the expected time for an activity when given an optimistic time A), a pessimistic time B), and a most likely time m) is calculated by which one of the following formulas?
A. b - a) =2
B. a + b) =2
C. a + 4m +b) =6
D. 4 abm) =6
Answer: (SHOW ANSWER)
PERT was developed to aid managers in controlling large, complex projects. PERT analysis includes probabilistic estimates of activity completion times. Three time estimates are made: Optimistic, most likely, and pessimistic. The time estimates for an activity are assumed to approximate a beta probability distribution. PERT approximates the mean of the beta distribution by dividing the sum of the optimistic time, the pessimistic time, and four times the most likely time by six.

NEW QUESTION: 21
If, in addition to the estimated profits, management of the bank assesses the probabilities of high, medium, and low demands to be 0.3, 0.4 and 0.3, respectively, what is the expected opportunity loss from selecting location L4?
A. US$5.50
B. US$7.90
C. US$7.50
D. US$5.00
Answer: (SHOW ANSWER)
First, the opportunity loss matrix must be prepared:

High demand:	**L1**	**L2**	**L3**	**L4**	**L5**
Highest profit of other locations	US $ 29	US $ 29	US $ 29	US $ 29	
Profit	(15)	(21)	(17)	(26)	
Opportunity loss	US $ 14	US $ 8	US $ 12	US $ 3	
Medium demand:	**L1**	**L2**	**L3**	**L4**	**L5**
Highest profit of other locations	US $ 14	US $ 14		US $ 14	US $ 14
Profit	(12)	(8)		(10)	(4)
Opportunity loss	US $ 2	US $ 6		US $ 4	US $ 10
Low demand:	**L1**	**L2**	**L3**	**L4**	**L5**
Highest profit of other locations		US $ 7	US $ 7	US $ 7	US $ 7
Loss (profit)		2	(4)	3	6
Opportunity loss		US $ 9	US $ 3	US $ 10	US $ 13

The expected opportunity loss from selecting location L4 is thus US $5.50 [($3 x 0.3) + ($4 x 0.4) + ($10 x)

NEW QUESTION: 22
Which of the following statements about slack time and milestones are true?
1. Slack time represents the amount of time a task may be delayed without delaying the entire project.
2. A milestone is a moment in time that marks the completion of the project's major deliverables.
3. Slack time allows the project manager to move resources from one task to another to ensure that the project is finished on time.
4. A milestone requires resource allocation and needs time to be completed.
A. 1, 2, and 3 only
B. 1, 2, 3, and 4
C. 2 and 3 only
D. 1 and 4 only
Answer: A (LEAVE A REPLY)

NEW QUESTION: 23
Subsequent to their initial recognition, which financial assets with quoted market prices in an active market are measured at fair value?

	Held-to-Maturity Investments	Loans and Receivables	Available-for-Sale Financial Assets	Financial Assets Held for Trading
A.	Yes	Yes	Yes	No
B.	Yes	Yes	No	No
C.	No	No	Yes	Yes
D.	No	No	No	Yes

A. Option A
B. Option B
C. Option C
D. Option D
Answer: C (LEAVE A REPLY)
Subsequent measurement of financial assets is normally at fair value. Thus, derivative, available-for-sale, and held-for-trading financial assets are measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest rate method. Unquoted equity instruments whose fair value is not reliably measurable are reported at cost.

NEW QUESTION: 24
Bandit Co. will report a value of, List A, for the parking and storage facility if it prepares financial reports consistent with the, List B, principle.

	List A	List B
A.	US $150,000	Matching
B.	US $150,000	Historical cost
C.	US $250,000	Going concern
D.	US $250,000	Revenue recognition

A. Option A
B. Option B
C. Option C
D. Option D
Answer: (SHOW ANSWER)

An asset classified under property, plant, and equipment is measured initially at cost. This mount includes the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Directly attributable costs include costs of, for example, site preparation, initial delivery and handling, installation, professional feese.g., those of architects and engineers), and dismantling and removing the asset and restoring the site. The purchase price is determined by adding any import fees and nonrefundable purchase taxes and subtracting any trade discounts and rebates.

NEW QUESTION: 25

While auditing a marketing department, the internal auditor discovered that the product life cycle model was used to structure the marketing mix Under such a philosophy, the price charged on a consistent basis for a specific product would probably be lowest during which life cycle stage?

A. Introduction stage.

B. Growth stage.

C. Maturity stage.

D. Decline stage.

Answer: (SHOW ANSWER)

During the maturity} stage, competition is at its greatest and costs are at their lowest.

Moreover, entities are engaged in competitive price-cutting measures, resulting in some of the lowest prices seen during a product's life cycle.

NEW QUESTION: 26

An entity produces a country A and sells some of its output in country B. Selling prices are identical in the two countries. The corporate tax rates are 40% in country A and 20% in country B. Assuming that the entity does not increase or decrease production, it should <List A> sales in country B and set as <List B> a transfer price as possible, in order to minimize global taxes.

	List A	List B
A.	Maximize	High
B.	Maximize	Low
C.	Minimize	High
D.	Minimize	Low

A. Option A

B. Option B

C. Option C

D. Option D

Answer: B (LEAVE A REPLY)

The tax-minimizing strategy is to minimize taxable income where tax rates are high and to maximize taxable income where tax rates are low. Consequently, the entity should sell more in country B but set a low transfer price. This dual strategy minimizes sales and profits in country A, minimizes cost of sales in country B. and maximizes sales and profits in country B.

NEW QUESTION: 27

The carrying costs associated with inventory management include:

A. Insurance costs, shipping costs, storage costs, and obsolescence.

B. Storage costs, handling costs, capital invested, and obsolescence.

C. Purchasing costs, shipping costs, setup costs, and quantity discounts lost.

D. Obsolescence, setup costs, capital invested, and purchasing costs.

Answer: B (LEAVE A REPLY)

Carrying costs include storage costs, handling costs, insurance costs, interest on capital invested, and obsolescence. Candman Company is a wholesale distributor of candy. The company leases space in a public warehouse and is charged according to the square feet occupied. Candman has decided to employ the economic order quantity 0Q) method to determine the optimum number of cases of candy to order. The company placed 2,400 orders last year. Data for the high-activity month, the low-activity month, and the year for the purchasing and warehouse operations appear in the next column. The annual charges for the warehouse totaled US $12,750 last year. In addition, the annual insurance and property taxes on the candy stored in the warehouse amounted to US $1,500 and US $2,250, respectively.

The average monthly inventory last year was US $75,000.

NEW QUESTION: 28

A company's budget for next year contains the following information:

	Units
Beginning finished goods inventory	85
Beginning work-in-process in equivalent units	10
Desired ending finished goods inventory	100
Desired ending work-in-process in equivalent units	40
Projected sales for next year	1,800

How many equivalent units should the company plan to produce next year?

A. 1,800

B. 1,565

C. 1.815

D. 1.845

Answer: (SHOW ANSWER)

Needed for sales	1,800
Needed for ending inventory	100
Total finished units needed	1,900
Minus beginning inventory	85
Finished units needed	1,815
The units to be produced equal 1,845:	
Finished units needed	1,815
Needed for ending inventory	40
Total units in process	1,855
Minus beginning WIP inventory	10
Units to be produced	1,845

NEW QUESTION: 29

During the recessionary phase of a business cycle,

A. The purchasing power of money is likely to decline rapidly.

B. The natural rate of unemployment will increase dramatically.

C. Potential national income will e-.:coed actual national income

D. Actual national income will e- 'c l potential national income.

Answer: C (LEAVE A REPLY)

There are four phases of a business cycle: trough, recovery, peak, and recession. During the recessionary phase of a business cycle, economic activities and employment levels contract and society's resources are underused_ Because of the underuse of resources, potential national income will exceed actual national income.

NEW QUESTION: 30

In an organization where enterprise risk management practices are mature, which of the following is a core internal audit role?

A. Giving assurance that risks are evaluated correctly.

B. Facilitating the identification and evaluation of risks.

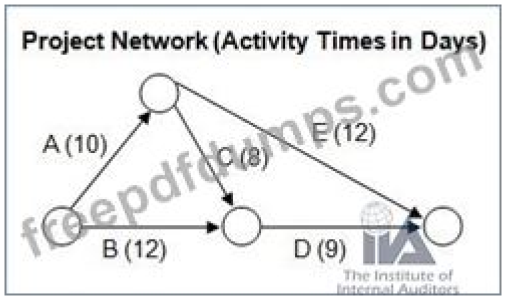
C. Developing the risk management strategy for the board's approval.

D. Coaching management in responding to risk.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 31

Refer to the exhibit.



The figure below shows the network diagram for the activities of a large project. What is the shortest number of days in which the project can be completed?

A. 51 days.

B. 22 days.

C. 21 days.

D. 27 days.

Answer: (SHOW ANSWER)

NEW QUESTION: 32

An electronics company has decided to implement a new system through the use of rapid application development techniques. Which of the following would be included in the development of the new system?

A. Deferring the need for system documentation until the final modules are completed.

B. Removing project management responsibilities from the development teams.

C. Creating the system module by module until completed.

D. Using object development techniques to minimize the use of previous code.
Answer: C (LEAVE A REPLY)
The new system would be developed module by module until completed.

NEW QUESTION: 33
Effective internal control for application development should provide for which of the following?
I A project steering committee to initiate and oversee the system
II A technical systems programmer to evaluate systems software
III Feasibility studies to evaluate existing systems
IV The establishment of standards for systems design and programming
A. I and III only.
B. I, II, and IV only
C. I, III, and IV only.
D. II, III, and IV only
Answer: C (LEAVE A REPLY)
Effective systems development requires participation by top management. This can be achieved through a steering committee composed of higher-level representatives of system users. The committee approves or recommends projects and reviews their progress.
Studies of the economic, operational, and technical feasibility of new applications necessarily entail evaluations of existing systems.
Another necessary control is the establishment of standards for system design and programming. Standards represent user and system requirements determined during systems analysis.

NEW QUESTION: 34
Which of the following statements is true regarding the relationship between an individual's average tax rate and marginal tax rate?
A. In a progressive personal tax system, an individual's marginal tax rate is normally equal to his average tax rate.
B. In a progressive personal tax system, an individual's marginal tax rate is normally greater than his average tax rate.
C. In a regressive personal tax system, an individual's marginal tax rate is normally greater than his average tax rate.
D. In a regressive personal tax system, an individual's marginal tax rate is normally equal to his average tax rate.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 35
Two countries have flexible e change rate systems and an active trading relationship. If incomes <List A> in country 1, everything else being equal, then the currency of country 1 will tend to <List B> relative to the currency of country 2.

	List A	List B
A.	Rise	Remain constant
B.	Fall	Depreciate
C.	Rise	Depreciate
D.	Remain constant	Appreciate

A. Option A
B. Option B
C. Option C
D. Option D
Answer: C (LEAVE A REPLY)
If incomes in country 1 rise, consumers in country 1 will increase their imports from country
2. The resulting increase in the supply of currency 1 will result in a tendency for it to depreciate relative to the currency of country 2.

NEW QUESTION: 36
When the economic order quantity (EOQ) decision model is employed, the <List A> are being offset or balanced by the <List B>.

	List A	List B
A.	Ordering costs	Carrying costs
B.	Purchase costs	Carrying costs
C.	Purchase costs	Quality costs
D.	Ordering costs	Stockout costs

A. Option A
B. Option B
C. Option C
D. Option D
Answer: A (LEAVE A REPLY)
The objective of the EOQ model is to find an optimal order quantity that balances carrying and ordering costs. Only variable costs should be considered. The EOQ is the point where the ordering cost and carrying cost curves intersect. It corresponds to the minimum point on the total inventory cost curve.

NEW QUESTION: 37
Which statement best describes the emphasis of total quality management (TQM)?
A. Reducing the cost of inspection.
B. Implementing better statistical quality control techniques.
C. Doing each job right the first time.
D. Encouraging cross-functional teamwork.
Answer: C (LEAVE A REPLY)

The basic principles of TQM include (1) doing each job right the first time, (2) being customer oriented, (3) committing the organizational culture to continuous improvement, and (4) building teamwork and employee empowerment.

NEW QUESTION: 38

Company A is a producer of citrus flavored dessert products. Its most popular product is its key, lime pies, which are made with many fine ingredients, including egg yolks. Company A also sells the egg whites that are left over from its production process. These egg whites are sold at any price that is greater than the cost of storing and delivering them. What is the pricing of the egg whites?

A. By-product pricing.

B. Captive-product pricing.

C. Product-bundle pricing.

D. Value pricing.

Answer: (SHOW ANSWER)

By-product pricing usually sots prices at any amount in excess of storing and delivering byproducts.
Such prices allow the seller to reduce the costs and therefore the prices of the main products.

NEW QUESTION: 39

In an analysis of alternative credit-management policies, which of the following components will cause the net present value of receivables on credit sales to increase, if everything else remains constant?

A. A higher cost per unit sold.

B. An increase in the cost of capital.

C. A tougher collections policy that reduces the bad debt loss ratio.

D. A longer average collection period.

Answer: (SHOW ANSWER)

NEW QUESTION: 40

Which of the following descriptions of the internal control system are indicators that risks are managed effectively?

1. Existing controls promote compliance with applicable laws and regulations.
2. The control environment is designed to address all identified risks to the organization.
3. Key controls for significant risks to the organization remain consistent over time.
4. Monitoring systems are in place to alert management to unexpected events.

A. 2 and 3.

B. 1 and 4.

C. 2 and 4.

D. 1 and 3.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 41

Which of the following roles would be least appropriate for the internal audit activity to undertake with regard to an organization's corporate social responsibility (CSR) program?

A. Evaluate the effectiveness of the organization's CSR efforts.

B. Consult on project design and implementation of the CSR program.

C. Serve as an advisor on internal controls related to CSR.

D. Identify and prioritize the CSR issues that are important to the organization.

Answer: (SHOW ANSWER)

NEW QUESTION: 42

Traditional information systems development and operational procedures typically involve four functional areas. The systems analysis function focuses on identifying and designing systems to satisfy organizational requirements. The programming function is responsible for the design, coding, testing, and debugging of computer programs necessary to implement the systems designed by the analysis function. The computer operations function is responsible for data preparation, program/job execution, and system maintenance. The user function provides the input and receives the output of the system.

Which of these four functions is often poorly implemented or improperly omitted in the development of a new end-user computing EUC application?

A. Systems analysis function.

B. Programming function.

C. Computer operations function.

D. User function.

Answer: (SHOW ANSWER)

Systems analysis is one step that is not absolutely required in the development of a system. The desire to produce a system quickly may result in this step being eliminated or poorly implemented. A system is often produced and then analyzed to see if it will satisfy the needs of the organization. In an EUC application, the systems analysis is often incomplete or omitted.

NEW QUESTION: 43

Subsequent measurement of trade receivables is at:

A. Fair value through profit or loss

B. Cost

C. Amortized cost

D. Fair value through equity

Answer: C (LEAVE A REPLY)

According to IAS 39, subsequent measurement of financial assets including derivatives that are assets) is at fair value with certain exceptions. Loans and receivables and held-tomaturity investments are measured at amortized cost using the effective interest method. Unquoted equity instruments whose fair value is not reliably measurable are reported at cost.

NEW QUESTION: 44

A business is designing its storage for accounts receivable information. What data file concepts should be used to provide the ability to answer customer inquiries as they are received?

A. Sequential storage and chains.

B. Sequential storage and indexes.

C. Record keys, indexes, and pointers.

D. Inverted file structure indexes, and internal labels.

Answer: C (LEAVE A REPLY)

A record key is an attribute that uniquely identifies or distinguishes each record from the others. An index is a table listing storage locations for attributes, often including those other than the unique record key attribute. A pointer is a data item that indicates the physical address of the next logically related record.

NEW QUESTION: 45

The loan department of a financial corporation makes loans to businesses. The costs of processing these loans are often several thousand dollars. The costs for each loan, which include labor, telephone, and travel, are significantly different across loans. Some loans require the use of outside services such as appraisals, legal services, and consulting services, whereas other loans do not require these services. The most appropriate cost accumulation method for the loan department of the corporation is:

A. Job-order costing.

B. Process costing.

C. Differential costing.

D. Joint product costing.

Answer: A (LEAVE A REPLY)

Job-order costing is used by companies whose products or services are readily identified by individual units or a specific job, each of which receives varying amounts and types of input. The dissimilarity of the various loan services provided make job-order costing appropriate.

NEW QUESTION: 46

Which of the following is true regarding the COSO enterprise risk management framework?

A. Control environment is one of the framework's eight components.

B. The framework categorizes an organization's objectives to distinct, nonoverlapping objectives.

C. The framework facilitates effective risk management, even if objectives have not been established.

D. The framework integrates with, but is not dependent upon, the corresponding internal control framework.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 47

Costs incurred by a manufacturer-lesser to negotiate a finance lease are:

A. Allocated over the economic life of the leased asset.

B. Expensed when selling profit is recognized.

C. Deferred and allocated over the term of the lease in proportion to the recognition of rental income.

D. Added to the gross investment in the lease.

Answer: (SHOW ANSWER)

The initial direct cost of negotiating and arranging a finance lease, e.g., commissions and legal fees, are included in the leas, receivable and allocated over the lease term.
However, similar costs of a manufacturer- or dealer-lesser incurred in negotiating and arranging a lease are excluded from initial direct costs. Thus, they are expensed when the soiling profit is recognized normally the start of the lease term IAS 17).

NEW QUESTION: 48
The US dollar amount of the costs of quality classified as preventive costs for the manufacturing firm would be:
A. US $643,000
B. US $701,000
C. US $736,000
D. US $768,000
Answer: B (LEAVE A REPLY)
Prevention attempts to avoid defective output, e.g., by employee training, reviews of equipment design, preventive maintenance, and evaluation of suppliers. Accordingly, the preventive costs equal U $701,000 U $275,000 design revie.ofs + U $180,000 process engineering + U $90,000 scheduled maintenance + U $1,000 training).

NEW QUESTION: 49
A corporation manufactures two brands of barbed wire fencing for sale to wholesalers and large ranchers. Which of the following would be the best type of costing system for such a company to use?
A. EOQ system.
B. Jo b-order system
C. Process system
D. Retail inventory system.
Answer: C (LEAVE A REPLY)
A process costing system is used when a company mass produces a standardized product on a continuous basis. The production department becomes the cost center.

NEW QUESTION: 50
Which of the following is not true about international transfer prices for a multinational firm?
A. Allows firms to attempt to minimize worldwide taxes.
B. Allows the firm to evaluate each division.
C. Provides each division with a profit-making orientation.
D. Allows firms to correctly price products in each country in which it operates.
Answer: D (LEAVE A REPLY)
The calculation of transfer prices in the international arena must be systematic. A scheme for calculating transfer prices for a firm may correctly price the firm's product in Country A but not in Country B. The product may be overpriced in Country B, causing sales to be lower than anticipated. Alternatively, the product may be underpriced in Country B, and the authorities may allege that the firm is dumping its product there.

NEW QUESTION: 51

Which of the following statements is false regarding the internal audit approach when a set of standards other than The IIA's Standards is applicable to a specific engagement?
A. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the less restrictive standards.
B. If there are inconsistencies between the other standards and The IIA's Standards, the internal auditor must use the more restrictive standards.
C. If the other standards are government-issued, the internal auditor should apply them in conjunction with The IIA's Standards.
D. The internal auditor may cite the use of other standards during audit communications.
Answer: (SHOW ANSWER)

NEW QUESTION: 52
Quality control programs employ many tools for problem definition and analysis. A scatter diagram is one of these tools. The objective of a scatter diagram is to:
A. Display a population of items for analysis.
B. Show frequency distribution in graphic form.
C. Divide a universe of data into homogeneous groups.
D. Show the vital trend and separate trivial items.
Answer: A (LEAVE A REPLY)
The objective of a scatter diagram is to depict degrees of correlation. Each observation is represented by a dot on a graph corresponding to specific values of x (the independent variable) and y (the dependent variable).

NEW QUESTION: 53
In a company, products pass through some or all of the production departments during
manufacturing, depending upon the product being manufactured. Direct material and dire] labor costs are traced directly to the products as they flow through each production department Manufacturing overhead is assigned in each department using separate departmental manufacturing overhead rates. The inventory costing method that the manufacturing company is using in this situation is:
A. Absorption costing.
B. Activity-based costing.
C. Backflush costing.
D. Variable costing.
Answer: A (LEAVE A REPLY)
Absorption costing inventories all direct manufacturing costs and both variable and fixed manufacturing overhead indirect) costs.

NEW QUESTION: 54
An organization engages in questionable financial reporting practices due to pressure to meet unrealistic performance targets. Which internal control component is most negatively affected?
A. Risk assessment.
B. Monitoring.
C. Control environment.
D. Control activities.
Answer: (SHOW ANSWER)

NEW QUESTION: 55

Annual inventory holding costs equal:

A. US $750

B. US $1,250

C. US $1,750

D. US $2,250

Answer: C (LEAVE A REPLY)

Given that demand is constant and the EOQ is 2,500 units, the average inventory level-1 without regard to safety stock is 1,250 units 2,500 - 2). Adding safety stock results in an average level of 1,750 units 1,250 + 500). Given also that annual holding costs are 25% of average inventory and that unit cost i s U $4, total annual holding cost i s U $1 ,750 [(1 ,750 units : $4) 25%]. Using an EOQ analysis assuming a constant demand), it is determined that the optimal order quantity is 2,500. The company desires a safety stock of 500 units. A five day lead time is needed for delivery. Annual inventory holding costs equal 25% of the average inventory level. It costs the company US $4 per unit to buy the product, which it sells for US $8. It costs the company US $150 to place a detailed order, and the monthly demand for the product is 4,000 units.

NEW QUESTION: 56

Which one of the following will usually be accounted for by recognizing a provision?

A. Just prior to the balance sheet date, the board decided b. close a division. No implementation steps have been taken.

B. As of the balance sheet date, the board was aware that a new law would require the entity to fit smoke filters to its factories within the next year. No such filters have been fitted.

C. A law requires an airline to overhaul its aircraft once every 3 years.

D. Premiums offered to customers.

Answer: (SHOW ANSWER)

When premiums are offered to customers, for example, upon redemption of coupons the entity can usually establish that it has a legal present obligation resulting from a past event and that an outflow of economic benefits is probable. Furthermore, if the entity has prior experience with such offers or information about the experience of similar entities, a reliable estimate of the obligation should be feasible. If no obligating event has occurred, the entity could avoid the future expenditure by its future actions.

NEW QUESTION: 57

What are the effects of an adjusting entry used to accrue revenue from credit sales?

	Assets	Liabilities	Equity
A.	Decrease	No effect	Decrease
B.	Increase	No effect	Increase
C.	No effect	Decrease	Increase
D.	No effect	Increase	Decrease

A. Option A

B. Option B

C. Option C

D. Option D

Answer: B (LEAVE A REPLY)

The journal entry to accrue revenue requires a debit to a receivable account and a credit to a revenue account. Thus, the accrual of revenue increases assets and equity.

NEW QUESTION: 58

A forward contract involves:

A. A commitment today to purchase a product on a specific future date at a price to be determined some time in the future.

B. A commitment today to purchase a product some time during the current day at its present price.

C. A commitment today to purchase a product on a specific future date at a price determined today.

D. A commitment today to purchase a product only when its price increases above its current exercise price.

Answer: C (LEAVE A REPLY)

A forward contract is an executory contract in which the parties involved agree to the terms of a purchase and a sale, but performance is deferred. Accordingly, a forward contract involves a commitment today to purchase a product on a specific future date at a price del ermined today.

NEW QUESTION: 59

If legal or regulatory standards prohibit conformance with certain parts of The IIA's Standards, the auditor should do which of the following?

A. Conform with all other parts of The IIA's Standards and provide appropriate disclosures.

B. Conform with all other parts of The IIA's Standards; there is no need to provide appropriate disclosures.

C. Continue the engagement without conforming with the other parts of The IIA's Standards.

D. Withdraw from the engagement.

Answer: A (LEAVE A REPLY)

Explanation/Reference:

NEW QUESTION: 60

Which of the following is the method of adding a standard markup to the cast of the product?

A. Penetration pricing.

B. Going-rate pricing.

C. Cost-based pricing.

D. Price skimming.

Answer: (SHOW ANSWER)

Cast-based pricing is a pricing method in which a standard markup or target profit is added to the cast of the product in determining the product's sales price.

NEW QUESTION: 61

A company began work on a long-term construction contract in Year 1. The contract price was US $3,000,000. Year-end information related to the contract is as follows

	Year 1	Year 2	Year 3
Estimated total cost	US $2,000,000	US $2,000,000	US $2,000,000
Cost incurred	700,000	900,000	400,000
Billings	800,000	1,200,000	1,000,000
Collections	600,000	1,200,000	1,200,000

If the company uses the percentage-of-completion method of accounting for this contract, the profit to be recognized in Year 1 is:

A. US $(100,000)

B. US $(100,000)

C. US $(200,000)

D. US $(350,000)

Answer: D (LEAVE A REPLY)

When the outcome of a contract can be reasonably estimated, the percentage-ofcompletion method for estimated recognizes revenue based on the stage of completion of the contract. One typical method for estimating the stage of completion is the calculation of ratio of the contract costs incurred to date to the estimated total cost. The percentage-ofcompletion at year-end on the cost-to-cost basis is 35%US $7150,1509. The profit for Year 1 is the anticipated profit on the contract times the completion percentage. Thus, profit for Year 1 is US $350,000 [($3,000,000 - $2,000,000) x 35%].

NEW QUESTION: 62

The sale of final goods is <List A> the gross domestic product, and the sale of intermediate goods is <List B> the gross domestic product.

	List A	List B
A.	Included in	Included in
B.	Included in	Excluded from
C.	Excluded from	Included in
D.	Excluded from	Excluded from

A. Option A

B. Option B

C. Option C

D. Option D

Answer: B (LEAVE A REPLY)

The sale of final goods is included in. and the sale of intermediate goods is excluded from, GDP. The purpose of this treatment is to avoid double counting. The value of final goods already includes any intermediate transactions involved in their production.

NEW QUESTION: 63

Lamar became homeless at a very young age and was taken in by Aunt and Uncle. Many years later, Lamar became a detective in the city police department. When Aunt disappeared and was not heard from for a month, the case was assigned to Lamar. Uncle also came to Lamar and asked him to promise to find Aunt in return for the years of support. Lamar agreed to Uncle's request. Which of the following is true?

A. Lamar's contractual duty to find Aunt is based on past consideration.

B. Lamar has no contractual duty to find Aunt.

C. If Uncle had also promised Lamar US $1,000 for finding Aunt, he would be liable when Lamar found her.

D. Lamar will be liable for breach of contract if he does not find Aunt.

Answer: B (LEAVE A REPLY)

Lamar has a pre-existing legal duty to find Aunt Consideration does not exist if an existing duty was imposed by law or a person is already under a contractual agreement to render a specified performance. Lamar will suffer no new legal detriment by finding Aunt; thus, no contractual obligation exists.

NEW QUESTION: 64

Which of the following is not a common feature of cumulative preferred stock?

A. Priority over common stock with regard to assets.

B. Priority over common stock with regard to dividend payment.

C. Priority over common stock with regard to dilution of shares.

D. Priority over common stock with regard to earnings.

Answer: (SHOW ANSWER)

NEW QUESTION: 65

In a diluted earnings-per-share computation, outstanding options issued by the reporting entity are assumed to be exercised. If the exercise price of these options exceeds the average market price, the computation would:

A. Fairly present diluted earnings per share on a prospective basis.

B. Fairly present the maximum potential dilution of diluted earnings per share on a prospective basis.

C. Reflect the excess of the number of shares assumed issued at the average market price over the number of shares assumed issued at the exercise price.

D. Be anti dilutive.

Answer: D (LEAVE A REPLY)

Options and warrants instruments that give the holders the right to purchase ordinary shares of the entity) issued by the reporting entity are assumed to be exercised at the beginning of the period or at time of issuance, if later. The proceeds are assumed to be from an issuance at the average market price for the period. The difference between 1) the shares issued and 2) the shares that would have been issued at the average market price is an issue for no consideration. If the options are in the money exercise price is less than average market price), they are dilutive because 1) exceeds 2), and the excess will be added to the BEPS denominator. However, when the exercise price exceeds the average market price, the result is ant dilutive.

NEW QUESTION: 66

One of the main reasons total quality management (TQM) can be used as a strategic weapon is that:

A. The cumulative improvement from a company's TQM efforts cannot readily be copied by competitors.

B. Introducing new products can lure customers away from competitors.

C. Reduced costs associated with better quality can support higher shareholder dividends.

D. TQM provides a comprehensive planning process for a business.

Answer: A (LEAVE A REPLY)

TQM is a comprehensive approach to quality. It treats the pursuit of quality as a basic organizational function that is as important as production or marketing. Because TQM affects every aspect of the organization's activities, it is part of the organizational culture. Thus, the cumulative effect of TQM's continuous improvement process can attract and hold
customers and cannot be duplicated by competitors.

NEW QUESTION: 67

When applied to international economics, the theory of comparative advantage proposes that total worldwide output will be greatest when:

A. Each good is produced by the nation that has the lowest opportunity cost for that good.

B. Goods that contribute to a nation's balance-of-payments deficit are no longer imported.

C. Each nation's total imports approximately equal its total exports.

D. International trade is unrestricted and tariffs are not imposed.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 68

An internationally recognized brand name is an entrance barrier to new competitors because new competitors would:

A. Face increased production costs.

B. Have to initiate a price war in order to enter the industry.

C. Face higher learning costs, which would increase fixed costs.

D. Face increased marketing costs.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 69

Which of the following is a primary driver behind the creation and prioritization of new strategic initiatives established by an organization?

A. Threats and opportunities.

B. Performance.

C. Risk tolerance

D. Governance

Answer: A (LEAVE A REPLY)

NEW QUESTION: 70

In a theory of constraints (TOC) analysis, the bottleneck operation (the constraint) corresponds to which part of the drum-buffer-rope model?

A. Drum.

B. Buffer.

C. Rope.

D. No part of TOC analysis corresponds to the drum-buffer-rope model.

Answer: (SHOW ANSWER)

Production flow through a constraint is managed using the drum-buffer-rope (DBR) system. The drum (i.e., the beat to which a production process marches) is the bottleneck operation. The constraint sets the pace for the entire process. The buffer is a minimal amount of work-in-process input to the drum that is maintained to ensure that it is always in operation. The rope is the sequence of activities preceding and including the bottleneck operation that must be coordinated to avoid inventory buildup.

NEW QUESTION: 71

Which of the following is the elementary unit of data storage used to represent individual attributes of an entity?

A. Database.

B. Data field.

C. File.

D. Record.

Answer: (SHOW ANSWER)

A data item or field) is a group of characters. It is used to represent individual attributes of an entity, such as an employee's address. A field is an item in a record.

NEW QUESTION: 72

An internal auditor was asked to review an equal equity partnership In one sampled transaction Partner A transferred equipment into the partnership with a self-declared value of $10,000 and Partner B contributed equipment with a self-declared value of $15 000 The capital accounts of each partner were subsequently credited with S12,500. Which of the following statements is true regarding this transaction?

A. The capital accounts should be increased using a weighted average based on the current percentage of ownership

B. No action is needed as the capital account of each partner was increased by the correct amount

C. The capital accounts of the partners should be increased by the fair market value of their contribution

D. The capital accounts of the partners should be increased by the original cost of the contnbuted equipment.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 73

Finance leases are differentiated from operating leases in that finance leases normally

A. Provide for maintenance service at no extra cost to the lessee.

B. Are cancelable at any time upon request by the lessee.

C. Have rental payments that are approximately equal to the amortized cost of the leased asset.

D. Are used only by financial institutions.

Answer: C (LEAVE A REPLY)

A lease may be classified as either a finance lease or an operating lease by a lessee. A finance lease transfers substantially all of the risks and rewards of ownership of the asset to the lessee. A lease is classified at its inception. It normally is classified as a finance lease if for example,

1.The lease provides for the transfer of ownership of the asset by the end of the lease term.

2.The lease contains a bargain purchase option: i.e., the lessee has the option to purchase at a price expected to be sufficiently below the fair value of the exercise date that, at the lease's inception, exercise is reasonably certain.

3.The lease term is for the major part of the economic life of the asset.

4.The present value of the minimum lease payments is at least substantially all of the fair value of the leased asset at the inception of the lease.
5.The leased assets are such that they can be used only by the lessee without major modification. Thus, the rental payments tend to approximate thy--t of the leased property plus a return on the investment.

NEW QUESTION: 74
The activity of trading futures with the objective of reducing or controlling risk is called:
A. Insuring.
B. Hedging.
C. Short-selling.
D. Factoring.
Answer: B (LEAVE A REPLY)
Hedging is the use of offsetting commitments to minimize the effect of adverse future price movements. Thus, a financial manager may limit many risk exposures by trading in futures markets.

NEW QUESTION: 75
When developing an effective risk-based plan to determine audit priorities, an internal audit activity should start by:
A. Observing and analyzing controls.
B. Prioritizing known risks.
C. Reviewing organizational objectives.
D. Identifying risks to the organization's operations.
Answer: (SHOW ANSWER)

NEW QUESTION: 76
An entity sells 1,500 units of a particular item each year and orders the items in equal quantities of 500 units at a price of US $5 per unit. No safety stocks are held. If the entity has a cost of capital of 12%, its annual opportunity cost of carrying inventory is:
A. US$150
B. US$180
C. US$300
D. US$900
Answer: A (LEAVE A REPLY)
The annual opportunity cost of carrying inventory equals the average inventory level, times the per-unit purchase price, times the cost of capital. The average inventory level is the order quantity divided by 2. Thus, the annual opportunity cost of carrying inventory is US $150 [(500 units -2) x $ 5x .12].

NEW QUESTION: 77

The costs of quality that are incurred in detecting units of product that do not conform to product specifications are referred to as:

A. Prevention costs.

B. Appraisal costs.

C. Rework costs.

D. Failure costs.

Answer: B (LEAVE A REPLY)

Appraisal activities include inspection and testing. Appraisal costs (such as test equipment maintenance and destructive testing) are incurred to detect products not conforming to specifications.

NEW QUESTION: 78

What is the most significant potential problem introduced by just-in-time inventory systems?

A. They prevent manufacturers from scaling up or down to meet changing demands.

B. They are susceptible to supply-chain disruptions.

C. They require complicated materials-supply contracts.

D. They require significant computer resources.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 79

A company is attempting to determine if there is a cause-and-effect relationship between scrap value and output produced. The following exhibit presents the company's scrap data for the last fiscal year: The company's scrap value in relation to the standard monetary value of output produced appears to be:

Scrap as a Percent of Standard Monetary Value of Output Produced

Month	Standard Monetary Value of Output	Percent Scrap (%)
Nov Year 7	US $1,500,000	4.5
Dec Year 7	1,650,000	2.5
Jan Year 8	1,600,000	3.0
Feb Year 8	1,550,000	2.5
Mar Year 8	1,650,000	1.5
Apr Year 8	1,500,000	4.0
May Year 8	1,400,000	2.5
Jun Year 8	1,300,000	3.5
Jul Year 8	1,650,000	5.5
Aug Year 8	1,000,000	4.5
Sep Year 8	1,400,000	3.5
Oct Year 8	1,600,000	2.5

A. A variable cost.

B. A fixed cost.

C. A semi-fixed cost

D. Unrelated to the standard monetary value of output.

Answer: D (LEAVE A REPLY)

There is no systematic relationship bee en standard monetary units shipped and the percentage of scrap. A company wants to determine its marketing costs for budgeting purposes. Activity measures and costs incurred for 4 months of the current year are presented in the table below. Advertising is considered to be a discretionary cost.

Salespersons are paid monthly salaries plus commissions. The sales force was increased from 20 to 21 individuals during the month of May.

	March	April	May	June
Activity measures:				
Sales orders	2,000	1,800	2,400	2,300
Units sold	55,000	60,000	70,000	65,000
Monetary sales	US $1,150,000	US $1,200,000	US $1,330,000	US $1,275,000
Marketing costs:				
Advertising	$ 190,000	$ 200,000	$ 190,000	$ 190,000
Sales salaries	20,000	20,000	21,000	21,000
Commissions	23,000	24,000	26,600	25,500
Shipping costs	93,000	100,000	114,000	107,000
Total costs	US $ 326,000	US $ 344,000	US $ 351,600	US $ 343,500

NEW QUESTION: 80

A taxpayer who earns US $50,000 during the year and pays a 15% tax rate on the first US $30,000 of income and a 30% tax rate on all earnings over US $30,000 has a(n):

A. Marginal tax rate of 15%.

B. Marginal tax rate of 21%.

C. Average tax rate of 21%.

D. Average tax rate of 22.5%.

Answer: (SHOW ANSWER)

The average tax rate is calculated using the weighted-average method. The weight assigned to each rate is determined by the proportion of taxable income subject to it. The average tax rate is 21% [(US $30,000 $50,000) x _15 + $20,000 $50,000) x .30].

NEW QUESTION: 81

A contingent asset is:

A. Recognized when condemnation awards are probable or can be reliably estimated.

B. Recognized when damages to be awarded in a copyright infringement suit are highly probable.

C. Recognized when disclosure in the notes to financial statements only could be misleading.

D. Not recognized under any circumstances.

Answer: (SHOW ANSWER)

A contingent asset is a possible asset arising from past asset and the existence of which will be confirmed only by uncertain future events not wholly within the entity's control. An example is a potential recovery on a legal claim with an uncertain outcome. A contingent asset is not recognized but should be disclosed if an inflow of economic benefits is probable. Disclosures include a description of the contingent asset and an estimate of its financial effects. A contingent asset is not recognized because the income may not be realized. However, if realization is virtually certain, the asset is not contingent and may be recognized.

NEW QUESTION: 82

The market price is the most appropriate transfer price to be charged by one department to another in the same organization for a service provided when:

A. The selling department operates at 50 percent of its capacity.
B. There is no external market for that service.
C. The purchasing department has more negotiating power than the selling department.
D. There is an external market for that service.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 83
If the organization uses the traditional full cost system, the cost per unit for this product for the coming year will be:
A. US $5.39
B. US $5.44
C. US $6.11
D. US $6.95
Answer: C (LEAVE A REPLY)
Given that manufacturing overhead is applied on the basis of machine hours, the overhead rate is US $60 per hour $1,800.000 - 30,000) or US $.96 per unit [80 machine hours per batch x $60) - 5,000 units per batch]. Accordingly, the unit full cost is US $6.11 $5.15 unit price cost + $.96). Believing that its traditional cost system may be providing misleading information. an organization is considering an activity-based costing ABC) approach. It now employs a full cost system and has been applying its manufacturing overhead on the basis of machine hours. The organization plans on using 50.000 direct labor hours and 30,000 machine hours in the coming year. The following data show the manufacturing overhead that is budgeted.

Activity	Cost Driver	Budgeted Activity	Budgeted Cost
Material handling	No. of parts handled	6,000,000	US $ 720,000
Setup costs	No. of setups	750	315,000
Machining costs	Machine hours	30,000	540,000
Quality control	No. of batches	500	225,000
	Total manufacturing overhead cost		US $1,800,000

Cost, sales, and production data for one of the organization' s products for the coming year are as follows:

Prime costs:	
Direct material cost per unit	US $4.40
Direct labor cost per unit (.05 DLH @ US $15.00/DLH)	.75
Total prime cost	US $5.15
Sales and production data:	
Expected sales	20,000 units
Batch size	5,000 units
Setups	2 per batch
Total parts per finished unit	5 parts
Machine hours required	80 MH per batch

NEW QUESTION: 84
Which of the following costs would be incurred in an inventory stockout?
A. Lost sales, lost customers, and safety stock.
B. Lost sales, lost customers, and backorder.
C. Lost sales, safety stock, and backorder.
D. Lost customers, safety stock, and backorder.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 85

According to the COSO enterprise risk management (ERM) framework, which of the following is not a typical responsibility of the chief risk officer?
A. Providing the board with an independent, objective risk perspective on financial reporting.
B. Guiding integration of ERM with other management activities.
C. Defining ERM roles and responsibilities.
D. Establishing risk category definitions and a common risk language for likelihood and impact measures.
Answer: A ([LEAVE A REPLY](#))

NEW QUESTION: 86
Exchange rates are determined by:
A. Each industrial country's government.
B. The International Monetary Fund.
C. Supply and demand in the foreign currency market.
D. Exporters and importers of manufactured goods.
Answer: C ([LEAVE A REPLY](#))
Although currencies can be supported by various means for short periods, the primary determinant of exchange, rates is the supply of and demand for the various currencies. Under current international agreements, exchange rates are allowed to "float_" During periods of extreme fluctuations, however, governments and control banks may intervene to maintain stability in the market.

NEW QUESTION: 87
The entity should invest in Project(s) <List A> and has an optimal capital budget of <List B> million.

	List A	List B
A.	B only	75
B.	A and B only	125
C.	A and C only	175
D.	C only	125

A. Option A
B. Option B
C. Option C
D. Option D
Answer: ([SHOW ANSWER](#))
The inf.-,reaction of the IOS and MCC schedules determines the cost of capital and the optimal capital budget. The entity should begin with the project having the highest return and continue accepting projects as long as the IRR the MCC. The highest ranked project is A, with a $50 million cost and a 14% IRR. The MCC is only 6% over this range of financing. The next highest ranked project is B, with a US $75 million cost and a 12% IRR. When US $125 million has been invested, the marginal cost of the next unit of capital is 10%, so Project B. is also acceptable, bringing the optimal capital budget to US $125 million. Project C is not acceptable because it has an 8% return. The MCC is 10% for the first US $50 million invested in this project and 12% for the remaining US $75 million.

NEW QUESTION: 88
When a right of return exists, an entity may recognize revenue from a sale of goods at the time of sale only if:
A. The amount of future returns can be reliably estimated.

B. The seller retains the risks and rewards of ownership.
C. The buyer resells the goods.
D. The seller believes returns will not be material.
Answer: A (LEAVE A REPLY)
One condition for condition of revenue from the sale of goods is the transfer of the significant risks and rewards of ownership. Retention of significant risk may occur when, for example, the buyer may rescind the purchase for a reason stipulated in the contract and the buy, is uncertain about the probability of return. However if the entity can reliably estimate future returns and recognize a liability for returns based on experience and other pertinent information, revenue may be recognized at the time of sale if the other conditions for revenue recognition are also met.

NEW QUESTION: 89
The time that car 4 will have to wait to be:
A. 0-2 minutes.
B. 3 minutes.
C. 4 minutes.
D. 5+ minutes.
Answer: C (LEAVE A REPLY)
Car 4 arrives at the just-vacated island window 4 minutes after car. It must wait 4 minutes for car to be serviced.

NEW QUESTION: 90
An advantage of using bar codes rather than other means of identification of parts used by
a manufacturer is that:
A. The movement of all parts is controlled.
B. The movement of parts is easily and quickly recorded.
C. Vendors can use the same part numbers.
D. Vendors use the same identification methods.
Answer: B (LEAVE A REPLY)
A reason to use bar codes rather than other means of identification is to record the movement of parts with minimal labor costs.

NEW QUESTION: 91
The online data entry control called performatting is:
A. A program initiated prior to regular input to discover errors in data before entry so that the errors can be corrected.
B. A check to determine if all data items for a transaction have been entered by the person entering the data.
C. A aeries of requests for required input data that requires an acceptable response to each request before a subsequent request is made.
D. The display of a document with blanks for data items to be entered by the person entering the data.
Answer: D (LEAVE A REPLY)
To avoid data entry errors in online systems, a preformatted screen approach may be used. It is a screen prompting approach that involves the display on a monitor of a set of boxes for entry of specified data items. The format may even be in the form of a copy of a transaction document. This technique is best suited to conversion of data from a source document.

NEW QUESTION: 92

An organization has started allowing employees to use their personal smart devices to accept vendor payments. What should the organization's bring-your-own-device (BYOD) policy include to specifically address security and privacy required by the Payment Card Data Security Standard (PCI DSS)?

A. Data storage.

B. Mobile applications

C. Backups and transfers

D. Approved devices

Answer: A (LEAVE A REPLY)

NEW QUESTION: 93

A bank has two drive-in lanes to serve customers:

one attached to the bank itself and one on an island. One teller serves both stations. The bank is interested in determining the average waiting times of customers and has developed a model based on random numbers. The two key factors are the time between successive car arrivals and the time customers wait in line.

Assume that the analysis begins with cars just arriving at both service windows, both requiring 3 minutes of service time. Car 1 is at the attached window and car 2 at the island window. A car will always go to the window attached to the bank unless that window has more cars waiting than the island window. The lone teller will always serve the car that arrived first. If two cars arrive simultaneously, the one at the attached window will be served before the one at the island.

Based on a known probability distribution, the bank assigns random numbers to arrival and service times:

Random #	Time between Arrivals	Random #	Service Time
1	1 minute	1, 2	1 minute
2, 3	2 minutes	3	2 minutes
4, 5, 6	3 minutes	4, 5, 6	3 minutes
7, 8	4 minutes	7, 8, 9	4 minutes

The bank then selects random numbers for the next two cars as follows:

	Arrival	Service
Car 3	#3	#7
Car 4	#7	#8

The process of making sure that the model measures what it is supposed to measure is called:

A. Statistical inference.

B. Hypothesis testing.

C. Confidence coefficient analysis.

D. Validation.

Answer: (SHOW ANSWER)

Validation is a step in the simulation procedure. Some assurance is needed that the results of the experiment will be realistic. This assurance requires validation of the model --often using historical data. If the model gives results equivalent to what actually happened, the model is historically valid. There is still some risk, however, that changes could make the model invalid for the future.

NEW QUESTION: 94

An appropriate technique for planning and controlling manufacturing inventories, such as
raw materials, components, and subassemblies whose demand depends on the level of production is:

A. Materials requirements planning.

B. Regression analysis.

C. Capital budgeting.

D. Linear programming.

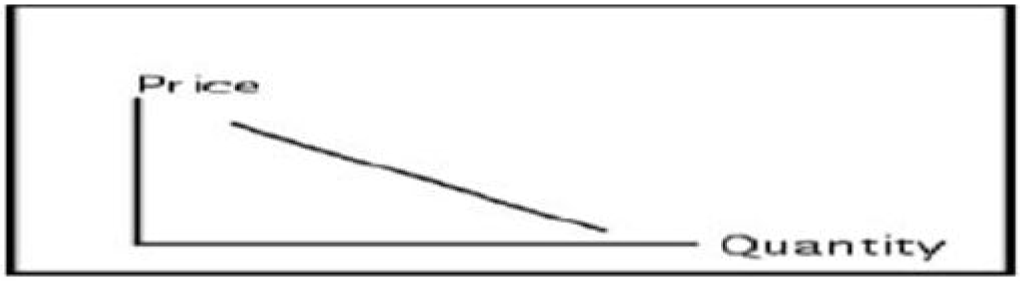
Answer: A (LEAVE A REPLY)

Materials requirements planning (MRP) is a system that translates a production schedule into requirements for each component needed to meet the schedule. It is usually implemented in the form of a computer-based information system designed to plan and control raw materials used in production. It assumes that forecast demand is reasonably accurate and that suppliers can deliver based upon this accurate schedule. MRP is a centralized push-through system; output based on forecasted demand is pushed through to the next department or to inventory.

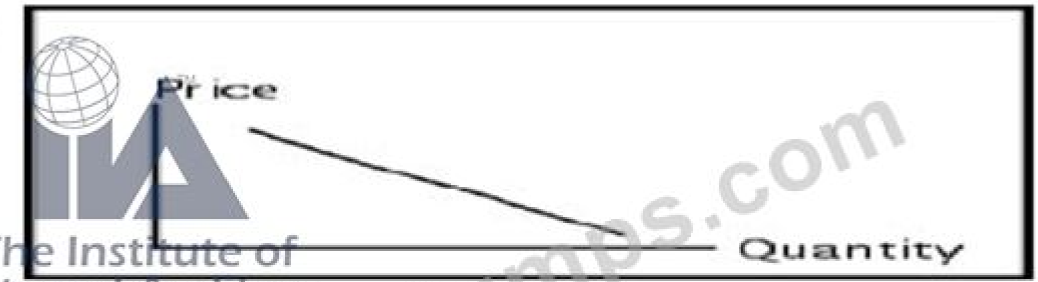
NEW QUESTION: 95

Which one of the graphs depicts the demand curve for prestige goods?

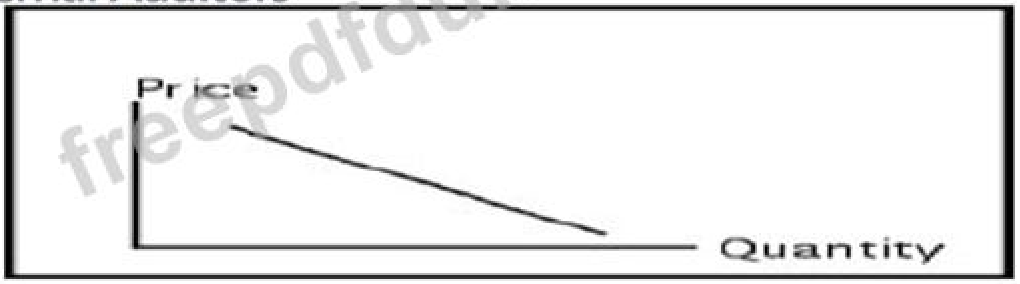
A



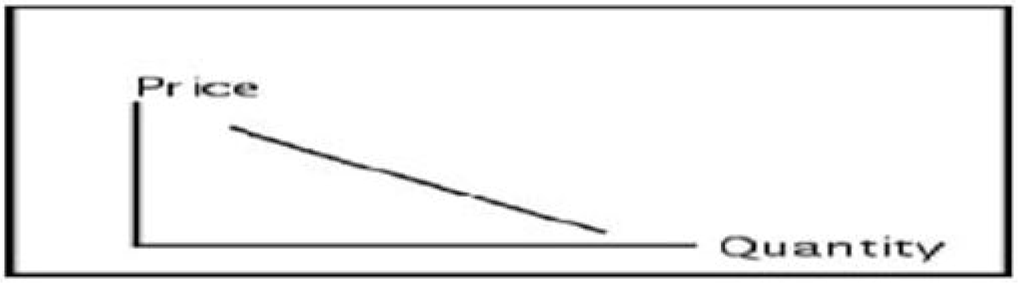
B



C



D



A. Option A
B. Option C
C. Option C
D. Option D
Answer: C (LEAVE A REPLY)
Over some intermediate range of prices, the reaction to a price increase for prestige goods is an increase, not a decrease, in the quantity demanded. Within this range, the demand curve is upward sloping. The reason is that consumers interpret the higher price to indicate a better or more desirable product. Above some price level, the relation between price and quantity} demanded will again became negatively sloped.

NEW QUESTION: 96
Which of the following options correctly defines a transmission control protocol/Internet protocol (TCP/IP)?
A. A network of servers used to control a variety of mission-critical operations.
B. System software that acts as an interface between a user and a computer.
C. A standardized set of guidelines that facilitates communication between computers on different networks.

D. System software that translates hypertext markup language to allow users to view a remote webpage.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 97
Through the use of decision models, managers thoroughly analyze many alternatives and decide on the best alternative for the company. Often the actual results achieved from a particular decision are not what was expected when the decision was made. In addition, an alternative that was not selected would have actually been the best decision for the company.
The appropriate technique to analyze the alternatives by using expected inputs and altering them before a decision is made is:
A. Expected value analysis.
B. Linear programming.
C. Program evaluation review technique PERT
D. Sensitivity analysis.
Answer: D (LEAVE A REPLY)
Sensitivity modeling can be used to determine the outcome of a variety of decisions. A trial and- error method may be adopted, usually in a computer model, to calculate the sensitivity of the solution variability of outcomes) to changes in a variable.

NEW QUESTION: 98
During which phase of the contracting process are contracts drafted for a proposed business activity?
A. Bidding phase.
B. Management phase.
C. Initiation phase.
D. Development phase.
Answer: (SHOW ANSWER)

NEW QUESTION: 99
The major distinction between the function-of-expense format for the income statement and the "condensed" format recognized under U.S. GAAP is the separation of:
A. Operating and non operating data.
B. Income tax expense and administrative expenses.
C. Cost of goods sold expense and administrative expenses.
D. The effect on income taxes of extraordinary items and the effect on income taxes of profit or loss from ordinary activities.
Answer: A (LEAVE A REPLY)
IRS 1 does not require a particular income statement format, although, at a minimum, certain line items must be presented. The nature-of-expense format for the income statement provides one grouping for income items and one for expense items, similar to the "single-step" format recognized under U.S. GAAP. The function-of-expense format, on the other hand, resembles the U.S. GRAP "condensed" format except in one crucial respect: Under U.S. GAAP, other income and expenses must be reported in a separate section after income from operations.

NEW QUESTION: 100
Under the income approach, gross domestic product GDP) is measured as:
A. Depreciation charges and indirect business taxes + Wages + Rents + Interest + Profits adjusted for net income earned abroad.

B. Wages + Rents + interest + Profits.
C. Depreciation charges and indirect business taxes + Wages + Rents - Interest + Profits.
D. Wages + Rents + interest - Profits adjusted for net income earned abroad.
Answer: A (LEAVE A REPLY)
GDP is the total value of goods and services produced within the boundaries of a country. It may be measured using an expenditures approach or an income approach. Under the income approach. GDP equals all income derived from the production of the year's output, with an adjustment for net income earned abroad a positive or negative amount in theory). Two types of nonincome charges or allocations must be added to incomes wages, rents. interest, and profits). Depreciation reflects the consumption of Ford capital during the period. It is the part of the year's receipts that must be allocated to replace the machinery, plant. etc. used up in the production of GDP. Indirect business taxes, such as sales. Excise, and property taxes, are treated by businesses as a cost of production and form part of the total price of goods and Thus. they are not paid as wages. rents, interest, and profits.
Accordingly, GDP may be measured as the sum of consumption of fixed capital, indirect business taxes, wages, rents, interest, and profits (proprietors' income. corporate taxes, dividends. and undistributed corporate profits), with an adjustment for net income earned abroad.

NEW QUESTION: 101
One of the main reasons total quality management TOM) can be used as a strategic weapon is that:
A. The cumulative improvement from a company's 'QM efforts cannot readily be copied by competitors.
B. Introducing new products can lure customers away from competitors.
C. Reduced costs associated with better quality can support higher shareholder dividends.
D. TQM provides a comprehensive planning process for a business.
Answer: A (LEAVE A REPLY)
TON is a comprehensive approach to quality. It treats the pursuit of quality as a basic organizational function that is as important as production or marketing. Because 'QM affects every, aspect of the organization's activities, it permeates the organizational culture. Thus, the cumulative effect of TQM's continuous improvement process can attract and hold customers and cannot be duplicated by competitors.

NEW QUESTION: 102
Which of the following examples demonstrates that the internal audit activity uses descriptive analytics in its engagements?
A. An internal auditor analyzed electricity production and sales interim reports and compiled a risk assessment.
B. An internal auditor extracted sales data to a spreadsheet and applied judgmental analysis for sampling.
C. An internal auditor classified solar panel sales by region and discovered unsuccessful sales representatives.
D. An internal auditor broke down a complex process into smaller pieces to make it more understandable.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 103
Which of the following statements is true regarding outsourced business processes?
A. Outsourced business processes should not be considered in the internal audit universe because the controls are owned by the external service provider.
B. The key controls of outsourced business processes typically are more difficult to audit because they are designed and managed externally.

C. The system of internal controls may be better and more efficient when the business process is outsourced compared to internally sourced.
D. Generally, independence is improved when the internal audit activity reviews outsourced business processes.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 104
An airline should recognize revenue from airline tickets in the period when:
A. Passenger reservations are booked.
B. B Passenger reservations are confirmed.
C. Tickets are issued
D. Related flights occur
Answer: D (LEAVE A REPLY)
Recognition of an element of financial statements income, which includes revenue and gains) requires that two criteria be met. It must be probable that any future economic benefit associated with the item will flow to or from the enterprise, and the cost or value of the item must be measurable with reliability. The usual procedures for income recognition, e.g.. that income be earned, reflect these criteria. Thus, income is recognized when an increase in future economic benefits is associated with an increase in an asset or a decrease in a liability. The recognition criteria are not met with respect to the collections from sales of airline tickets until the receipt of future -gnomic benefits is sufficiently certain. Such certainty exists when the airline performs the contracted-for service, that is, when the related flights occur. The critical event in the earning process for the airline is the delivery of the service to the customer, which occurs when the related flight takes place

NEW QUESTION: 105
In which of the following scenarios would transfer pricing be used?
A. Company A moves goods internally from one location to another.
B. Company A does not own Company B. Company A charges Company B a fee to sell Company B's goods without taking ownership of the goods.
C. Company A owns Company B; Company B sells goods to Company A.
D. Company A owns both Company B and Company C; all three companies sell goods to the public.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 106
What is the total contribution to corporate profits generated by Division A before allocation of central corporate expenses?
A. US $18,000
B. US $20,000
C. US $30,000
D. US $90,000
Answer: C (LEAVE A REPLY)
Division As total contribution to corporate pr: ruits includes everything except the central corporate expense allocation. Thus, the total contribution is US $31'_1,000 $150,000 sales
* $10,000 other revenue - $30,000 direct materials - $20,000 direct labor- $5,001'_i variable overhead - $25,000 fixed overhead - $15,000 variable S '.A e i n-,e - $35,000 fixed c .-,:{-pease).

	Division A	Division B
Sales	US $150,000	US $400,000
Other revenue	10,000	15,000
Direct materials	30,000	65,000
Direct labor	20,000	40,000
Variable factory overhead	5,000	15,000
Fixed factory overhead	25,000	55,000
Variable S&A expense	15,000	30,000
Fixed S&A expense	35,000	60,000
Central corporate expenses (allocated)	12,000	20,000

A and B, are autonomous divisions of a corporation. They have no beginning or ending inventories, and the number of units produced is equal to the number of un1Ls sold. Following is financial information relating to the two divisions:

NEW QUESTION: 107

With regard to inventory management, an increase in the frequency of ordering will normally:

A. Reduce the total ordering costs.

B. Have no impact an total ordering costs.

C. Reduce total carrying costs.

D. Have no impact on total carrying costs.

Answer: C (LEAVE A REPLY)

Inventory carrying costs can sometimes be transferred to suppliers. If a seller has good enough control of demand schedules to know exactly when goods are needed, orders can be placed so that goods arrive no earlier than when actually needed. This practice relies on a supplier who is willing to take the responsibility for storing the needed inventory and shipping it to arrive on time. Suppliers are more willing to provide this type of service when they have many competitors.

NEW QUESTION: 108

A company using EDI tracked the functional acknowledgments from trading partners and issue warning messages if acknowledgments did not occur within a reasonable length of time. What risk was the company attempting to address by this practice?

A. Transactions that have not originated from a legitimate trading partner may be inserted into the EDI network.

B. Transmission of EDI transactions to trading partners may sometimes fail.

C. There may be disagreement between the parties as to whether the EDI transactions form a legal contract.

D. EDI data may not be accurately and completely processed by the EDI software.

Answer: (SHOW ANSWER)

Tracking of customers' functional acknowledgments, when required, will help to ensure successful transmission of EDI transactions. Some possible controls include the provision of end-to-end acknowledgments, particularly when multiple, interconnected networks are involved, and maintenance of a tickler file of outstanding functional acknowledgments, with issuance of warnings for those that are overdue.

NEW QUESTION: 109

The 88mpany has an opportunity to promote one of its product lines by making a one-time US $7,000 expenditure. The company can choose only one of the three product lines to promote. The incremental sales revenue that would be realized from this US $7,000 promotion expenditure in each of the product lines is estimated as follows:

	Increase in Sales Revenue
Product Line 1	US $15,000
Product Line 2	20,000
Product Line 3	14,000

In order to maximize profits, the promotion expenditure should be spent on <List A>, resulting in an increase in operating income of <List B>.

	List A	List B
A.	Product Line 2	US $13,000
B.	Product Line 2	US $ 5,000
C.	Product Line 3	US $ 1,400
D.	Product Line 3	US $ 1,120

A. Option A

B. Option B

C. Option C

D. Option D

Answer: (SHOW ANSWER)

Fixed costs should be ignored. Thus, the increase in sales revenue should be multiplied by the contribution margin ratio for each product line. The incremental promotion cost US $7,000) is subtracted from this amount to determine the marginal benefit of promoting each product line. Hence, Product Line 3 has an increased profit of US$1,120.

Calculation of Contribution Margin

	Total Company	Product Line 1	Product Line 2	Product Line 3
Sales revenue	US $2,000,000	US $800,000	US $700,000	US $500,000
Variable costs				
Commissions	$ 40,000	$ 16,000	$ 14,000	$ 10,000
Cost of sales	980,000	360,000	420,000	200,000
Total	$1,020,000	$376,000	$434,000	$210,000
CM	$ 980,000	$424,000	$266,000	$290,000
CMR	49%	53%	38%	58%
Revenue		$ 15,000	$ 20,000	$ 14,000
CMR		.53	.38	.58
CM		$ 7,950	$ 7,600	$ 8,120
Promotion cost		7,000	7,000	7,000
Increased profits		US $ 950	US $ 600	US $ 1,120

The company buys the goods in the three product lines directly from manufacturers' representatives. Each product line is directed by a manager whose salary is included in the administrative expenses. Administrative expenses are allocated to the three product lines equally because the administration is spread evenly among the three product lines.

Salaries represent payments to the workers in each product line and therefore are traceable costs of each product line. Advertising promotes the entire company rather than the individual product lines. As a result, the advertising is allocated to the three product lines in proportion to the sales revenue. Commissions are paid to the salespersons in each product line based on 2% of gross sales. Rent represents the cost of the retail store and warehouse under a lease agreement with 5 years remaining. The product lines share the retail and warehouse space, and the rent is allocated to the three product lines based on the square footage occupied by each of the product lines.

NEW QUESTION: 110

If a just-in-time purchasing policy is successful in reducing the total inventory costs of a manufacturing company, which of the following combinations of cost changes would be most likely to occur?

A. An increase in purchasing costs and a decrease in stockout costs.

B. An increase in purchasing costs and a decrease in quality costs.

C. An increase in quality costs and a decrease in ordering costs.

D. An increase in stockout costs and a decrease in carrying costs.

Answer: (SHOW ANSWER)

In this situation, the company will be receiving fewer materials at any point in time, increasing the likelihood of stockout and thereby resulting in an increase in a reduction in the carrying cost. At the same time, the average inventory will be less, resulting in a reduction in the carrying cost.

NEW QUESTION: 111

An environmental regulatory body might control pollution by setting effluent standards for maximum discharge or by constructing a sliding-tax charge based on the amount of effluent emitted. One advantage of the sliding-tax charge is that:

A. It will totally eliminate pollution.

B. There is greater business incentive to discover new methods of controlling pollution.

C. It increases the necessity for the regulatory body to fully understand pollution control technology.

D. It increases the degree of direct government intervention in the economy.

Answer: B (LEAVE A REPLY)

The setting of effluent standards has been criticized as inefficient. Economists prefer a sliding tax based on the amount of effluent emitted. This method is preferable because, as effluent discharge increases, the tax increases, providing an incentive for entities to discover new methods of controlling pollution. Rather than dictating technology, the tax allows entities to seek out the technology that is the most cost effective.

NEW QUESTION: 112

If the amount to be received in 4 years is US $137,350, and given the correct factor from the 10% time-value-of-money table below, what is the current investment?

	Interest Factors for 10%			
Periods	FV	PV	FV of Ordinary Annuity	PV of Ordinary Annuity
1	1.1000	.9091	1.0000	.9091
2	1.2100	.8264	2.1000	1.7355
3	1.3310	.7513	3.3100	2.4869
4	1.4641	.6830	4.6410	3.1699
5	1.6105	.6029	6.1051	3.7908

A. US $30,034.33

B. US $43,329.44

C. US $93.810.05

D. US $201,094.14

Answer: C (LEAVE A REPLY)

The current investment is the present value of the given future amount. It equals the future amount multiplied by the factor for the present value of US $1 for four periods at 10%. Accordingly, the current investment is US $93,810.05$137,350 .6830).

NEW QUESTION: 113

An electronic meeting conducted between several parties at remote sites is referred to as:

A. Teleprocessing.

B. Interactive processing.

C. Telecommuting.

D. Teleconferencing.

Answer: (SHOW ANSWER)

Conducting an electronic meeting among several parties at remote sites is teleconferencing. It can be accomplished by telephone or electronic mail group communication software. Videoconferencing permits the conferees to see each other on video screens. The practice has grown in recent years as companies have attempted to cut their travel costs.

NEW QUESTION: 114

Contingency plans for information systems should include appropriate backup agreements. Which of the following arrangements would be considered too vendor dependent when vital operations require almost immediate availability of computer resources?

A. A "hot site" arrangement.

B. A "cold site" arrangement.

C. A "cold and hot site" combination arrangement.

D. Using excess capacity at another data center within the organization.

Answer: B (LEAVE A REPLY)

Organizations should maintain contingency plans for operations in the case of a disaster. These plans usually include off-site storage of important backup data and an arrangement for the continuation of operations at another location. A "cold site" has all needed assets in place except the needed computer equipment and is vendor-dependent for timely delivery of equipment.

NEW QUESTION: 115

Which of the following application-based controls is an example of a programmed edit check?

A. Transaction log.

B. Input error correction.

C. Authorization for access.

D. Reasonableness check.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 116

If a supervisor fails to give an employee a negative evaluation because of fear of damaging a good working relationship, this is known as the:

A. Leniency error.

B. Regency effect.

C. Halo effect.
D. Contrast error.
Answer: A (LEAVE A REPLY)
A leniency error is a manager's failure to give a negative evaluation because of fear of damaging a good working relationship with an employee.

NEW QUESTION: 117
Which of the following statements is most accurate with respect to various forms, elements, and characteristics of business contracts?
A. Collaboration during contract negotiation encourages stakeholders to develop consensus but typically increases cycle times and the likelihood that the contract will fail
B. A contract is a tool used by both suppliers and customers, the model and complexity of which generally remains constant
C. Differing legal requirements affect the attitudes of contracting parties as well as the length content and language of contracts
D. A contract is a tool used by both suppliers and customers though it offers commercial assurance of the relationship, purely from a customer perspective
Answer: C (LEAVE A REPLY)

NEW QUESTION: 118
According to MA guidance on IT. which of the following controls the routing of data packets to link computers?
A. Control environment.
B. Operating system.
C. Network.
D. Application program code.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 119
All of the following are true with regard to the first-in, first-out inventory valuation method except:
A. It values inventory close to current replacement cost.
B. It minimizes current-period income taxes.
C. It generates the highest profit when prices are rising.
D. It approximates the physical flow of goods.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 120
Which of the following authentication device credentials is the most difficult to revoke when an employee's access rights need to be removed?
A. A card-key system.
B. A biometric device.
C. A proximity device.
D. A traditional key lock.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 121

Entity A acquires entity B for US $1.000.000. At the time of the acquisition the net fair value of the identifiable assets, liabilities, and contingent liabilities recognized had a carrying amount of US $900,000 and a fair value of US $800,000. The amount of goodwill entity A will record on the acquisition date is

A. US $0
B. US $100,000
C. US $200,000
D. US $300,000

Answer: C (LEAVE A REPLY)

Goodwill equals the excess of the acquisition cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Consequently goodwill is US $200.000$1,000,000 - $800,000).

NEW QUESTION: 122

To reduce security exposure when transmitting proprietary data communication lines, a company should use:

A. Asynchronous modems.
B. Authentication techniques
C. Call-back procedures.
D. Cryptographic devices.

Answer: (SHOW ANSWER)

Encryption involves using a fixed algorithm to manipulate plaintext The information is sent in its manipulated form and the receiver translates the information back into plain text. Cryptographic devices protect data in transmission over communication lines.

NEW QUESTION: 123

The cost of statistical quality control in a product quality cost system is categorized as a(n):

A. Internal failure cost.
B. Training cost.
C. External failure cost.
D. Appraisal cost.

Answer: D (LEAVE A REPLY)

The following are the four categories of quality costs: prevention, appraisal, internal failure, and external failure (lost opportunity). Appraisal costs include quality control programs, inspection, and testing. However, some authorities regard statistical quality and process control as preventive activities because they not only detect faulty work but also allow for adjustment of processes to avoid future defects.

NEW QUESTION: 124

The feasible solution region is bounded by the lines connecting points:

A. 3, 4, 6, and 7.

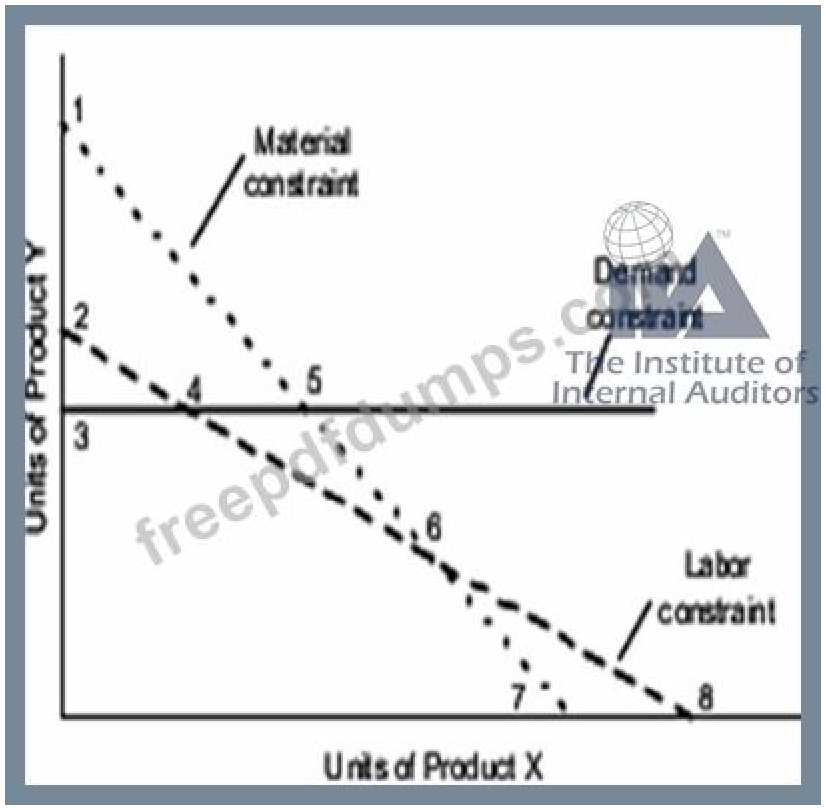
B. I, 5, 6, and 8.

C. 2, 4, , , and 8.

D. 3, E. 6, and 7.

Answer: ([SHOW ANSWER](#))

A model consisting of a system of functions may be used to optimize an objective function. If the functions in the model are all linear, the model is a linear programming model. Linear programming is a technique to determine optimal resource allocation. Several solution methods are available to solve linear programming problems. The graphical method, the easiest technique, is limited to simple problems. Here, the graph consists of three lines, each representing a production constraint. The lines connecting points , 4, 6, and 7 bound the feasible solution region. Product mikes of and Y that lie outside this boundary cannot be produced and/or sold because the demand constraint line ,4), the labor constraint line 4,6), and the material constraint line 6,7) are binding. A company produces two products, and Y, which use material and labor as inputs. Fixed amounts of labor and material are available for production each month In addition. the demand for product Y each month is limited: product has no constraint an the number of units that can be sold. A graphical depiction of these production and demand constraints is presented in the opposite column.



NEW QUESTION: 125

An entity has US $400 of current assets, composed of US $200 of cash, US $100 of accounts receivable, and US $100 of inventory. The entity has US $200 of long-term debt, US $100 of accounts payable, and US $75 of notes payable. The notes payable are due in 6 months. The acid-test ratio, to two decimal places, is:

A. 0.80

B. 1.29

C. 1.71

D. 2.29

Answer: C (LEAVE A REPLY)
The acid-test ratio equals current assets US $400) minus inventories US $100), divided by current liabilities US $100 + $75 = US $175), or 1.71.

NEW QUESTION: 126
The process of scenario planning begins with which of the following steps?
A. Selecting the issue or decision that will impact how the organization conducts future business.
B. Selecting leading indicators to alert the organization of future developments.
C. Identifying how customers, suppliers, competitors, employees, and other stakeholders will react.
D. Determining the trends that will influence key factors in the organization's environment.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 127
If, in addition to the estimated profits, management of the bank assesses the probabilities of high, medium, and low demands to be 0.3, 0.4, and 0.3 respectively, what is the expected opportunity loss from selecting location of L4?
A. 5.50
B. 7.90
C. 7.50
D. 5.00
Answer: (SHOW ANSWER)
The opportunity loss matrix is as follow:

Location	L1	L2	L3	L4	L5
Demand: High	14 = 29–15	8 = 29–21	12 = 29–17	3 = 29–26	0 = 29-29
Medium	2 = 14–12	6 = 14–8	0 = 14–14	4 = 14–10	10 = 14–4
Low	0 = 7–7	9 = 7–(–2)	3 = 7–4	10 = 7–(–3)	13 = 7–(–6)

The expected opportunity loss from selecting location L4 is 5.50 [(3 × 0.3) + (4 × 0.4) + (10 × 0.3)].

NEW QUESTION: 128
Regulatory agencies usually do not have power to:
A. Impose agency taxes on private industry.
B. Issue rules and regulations.
C. Investigate violations of statutes and rules.
D. Conduct hearings and decide whether violations have occurred.
Answer: A (LEAVE A REPLY)
A regulatory agency may regulate some aspect of all industries or may regulate a specific industry in accordance with power delegated by the enabling legislation. Agency functions include executive, adjudicatory, and rule-making activities. Such agencies, however, may not impose taxes.

NEW QUESTION: 129
The allocation of general overhead costs to operating departments can be least justified in determining:
A. Income of a product or functional unit.

B. Costs for making management's decisions.
C. Costs for the federal government's cost-plus contracts
D. Income tax payable.
Answer: B (LEAVE A REPLY)
In the short run management decisions are made in reference to incremental costs without regard to fixed overhead costs because fixed overhead cannot be changed in the short run. Thus, the emphasis in the short run should be on controllable costs. For example, service department costs allocated as a part of overhead may not be controllable in the short run.

NEW QUESTION: 130
An entity sells to retail stores on credit terms of 2/10 net 30. Daily sales average 150 units at a price of US $300 each. Assuming that all sales are on credit and 60% of customers take the discount and pay on day 10 while the rest of the customers pay on day 30, what is the amount of the entity's accounts receivable?
A. US $135,000
B. US $990,000
C. US $900,000
D. US $81,000
Answer: D (LEAVE A REPLY)
The entity has daily sales of US $45,000 consisting of 150 units at US $300 each. For 30 days, sales total US $1.350.000. Forty percent of these sales. or US $540,000, will be uncollected because customers do not take their discounts. The remaining 60%. or US $810,000. will be paid within the discount pen 1. However, by the end of 30 days. only 213 of the US $810,000 will be collected because the sales from days 21 through 30 are still within the discount period. Therefore, an additional US $270,000 $810,000 - $5...I0, Ori0) will still be uncollected after the 30th day, but will be subject to a discount. In total, the average retail balance is US $810,000. consisting of US $540,000 on which no discount will be taken and US '1.270.000 that will be paid within the discount period.

NEW QUESTION: 131
When faced with the problem of filling a newly created or recently vacated executive position, organizations must decide whether to promote from within or to hire an outsider.
One of the disadvantages of promoting from within is that:
A. Internal promotions can have negative motivational effect on the employees of the firm.
B. Internal promotions are more expensive to the organization than hiring an outsider.
C. It is difficult to identify proven performers among internal candidates.
D. Hiring an insider leads to the possibility of social inbreeding within the firm.
Answer: D (LEAVE A REPLY)
Hiring an internal candidate can lead to social inbreeding. Many firms look to external candidates for certain jobs because they bring a fresh perspective to the organization's problems and may have more up-to-date training or education.

NEW QUESTION: 132
Which of the following are intermediaries between sellers and buyers?
I. Agent
II. Broker
III. Consignee

IV. Consumer

A. I and II only.

B. I and III only.

C. I, II, and III only.

D. I, II, III, and IV.

Answer: (SHOW ANSWER)

A distribution channel is a series of interdependent marketing institutions that facilitate the transfer of a product from producer (seller) to consumer (buyer). Intermediaries include merchant middlemen, agents, brokers, consignees, and facilitating intermediaries.

NEW QUESTION: 133

The most direct way to prepare a cash budget for a manufacturing entity is to include:

A. Projected sales, credit terms, and net income.

B. Projected net income, depreciation, and goodwill amortization.

C. Projected purchases, percentages of purchases paid, and net income.

D. Projected sales and purchases, percentages of collections, and terms of payments.

Answer: D (LEAVE A REPLY)

The most direct way of preparing a cash budget requires incorporation of sales projections and credit terms. collection percentages, estimated purchases and payment terms, and other cash receipts and disbursements. In other words, preparation of the cash budget requires consideration of both inflows and outflows.

NEW QUESTION: 134

An Internet firewall is designed to provide adequate protection against which of the following?

A. A computer virus.

B. Unauthenticated logins from outside users.

C. Insider leaking of confidential information.

D. A Trojan horse application.

Answer: B (LEAVE A REPLY)

A firewall is a combination of hardware and soft are that separates o networks and prevents passage of specific types of network traffic while maintaining a connection between the networks. Generally, an Internet firewall is designed to protect a system from unauthenticated logins from outside users, although it may provide several other features as well.

NEW QUESTION: 135

Which stage of group development is characterized by a decrease in conflict and hostility among group members and an increase in cohesiveness?

A. Performing stage.

B. Forming stage.

C. Norming stage.

D. Storming stage.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 136

An entity allows customers to redeem 20 coupons for a toy cost US $3.00). Estimates are that 40% of coupons distributed will result in redemption. Since beginning the promotion this year, 4 million coupons were distributed and 1 million coupons redeemed. The adjusting entry to accrue for unredeemed coupons at year-end is

A.	Premium expense	US $90,000	
	Provision for premiums		US $90,000
B.	Sales	US $90,000	
	Provision for premiums		US $90,000
C.	Premium expense	US $1,800,000	
	Provision for premiums		US $1,800,000
D.	Sales	US $1,800,000	
	Provision for premiums		US $1,800,000

A. Option A
B. Option B
C. Option C
D. Option D
Answer: A (LEAVE A REPLY)
An expense and a provision should be accurate for the coupons still outstanding that are expected to be redeemed. Of the 4 million coupons distributed, 411%, or 1.6 million, are estimated to be redeemable. Of those, 1 million have already been redeemed, and 600,000 more are expected to be redeemed. The promotion requires 20 coupons to receive one toy, so, 30,000600,000 / 20) more toys will be required. Each toy costs US $3.00, creating a provision of US $90,00030,000 x $3.00).

NEW QUESTION: 137
For employees, the primary value of implementing job enrichment is which of the following?
A. Validation of the achievement of their goals and objectives.
B. Support for personal growth and a meaningful work experience.
C. An increased opportunity to manage better the work done by their subordinates.
D. Increased knowledge through the performance of additional tasks.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 138
Which of the following factors would reduce dissatisfaction for a management trainee but would not particularly motivate the trainee?
A. A sense of achievement.
B. Promotion.
C. Recognition.
D. An incremental increase in salary.
Answer: D (LEAVE A REPLY)

Explanation

NEW QUESTION: 139

An organization had three large centralized divisions: one that received customer orders for service work; one that scheduled the service work at customer locations; and one that answered customer calls about service problems. These three divisions were restructured into seven regional groups, each of which performed all three functions. One advantage of this restructuring would be:

A. Increased specialization.

B. Better internal controls.

C. Greater economies of scale.

D. Improved work flow.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 140

Lawson Ltd. has the opportunity to increase annual sales US $100,000 by selling to a new, riskier group of customers. Based on sales, the uncollectible expense this increase to be 15%, and collection costs will be 5%. Manufacturing and selling expenses are 70% of sales, and the effective tax rate is 40%. If Lawson accepts this opportunity, the after-tax profit will increase by:

A. US $4,000

B. US $6,000

C. US $10,000

D. US $9,000

Answer: B (LEAVE A REPLY)

Manufacturing and selling costs exclusive of bad debts equal 70% of sales. Hence, the gross profit en the US $100,000 increase in sales will be US $30,000$100,000 x 305: Assuming US $15,000 of bad debts and US $5,000 of collection expense, the increase in pre-tax profit will be

An entity has the following statements:

	Year 2	Year 1
Sales	US $1,500,000	US $1,400,000
Cost of goods sold	800,000	750,000
Gross profit	700,000	650,000
Selling and administrative expense	62,000	60,000
Depreciation expense	50,000	50,000
Profits before interest and taxes	688,000	540,000
Interest expense	100,000	100,000
Profit before taxes	588,000	440,000
Income tax (50%)	294,000	220,000
Profit	294,000	220,000

Selected balance sheet items are as follows:

	Year 2 Year-end	Year 1 Year-end
Accounts receivable	US $300,000	US $200,000
Accounts payable	250,000	275,000

Assume a 365-day year in any calculations.

NEW QUESTION: 141

Below are data concerning the hours spent by a manufacturer's two products in its two processes.

	Assembly	Painting
Product A	21	14
Product B	32	8

The constraint is

A. Product

B. Product B in Assembly.

C. The assembly activity.

D. Cannot be determined from the information given.

Answer: C (LEAVE A REPLY)

In theory of constraints (TOC) analysis, the constraint (bottleneck) operation is the slowest part of the process. It can usually be identified as the one where work-in-process backs up the most. Of this manufacturer's two operations, the one that requires the most total time is assembly.

NEW QUESTION: 142

A company} is formulating its plans for the coming year, including the preparation of its cash budget. Historically, 30% of the company's sales are cash sales. The remaining 70% are credit sales with the following collection pattern.

Collections on Account	Percentage
In the month of sale	40%
In the month following the sale	58%
Uncollectible	2%

Sales for the first five months of the coming year are forecast as follows.

January	US $3,500,000
February	3,800,000
March	3,600,000
April	4,000,000
May	4,200,000

For the month of April, the total cash receipts from sales and collections on account would be:

A. US $3,729,968

B. US $3,781,600

C. US $4,025,200

D. US $4,408,000

Answer: B (LEAVE A REPLY)

The cash receipts for April equal April's cash sales US $4,000,000 x 30°I0 = US $1,200,000), 40% of April's credit sales, and 580/o of March's credit sales. Consequently, total cash receipts equal US $3, 78-1,600 [$1,200,000 + $4,000,000 40°lax 70°/o) + $8,600,000 68°f0 70%)].A bank has two drive-in lanes to serve customers: one attached to the bank itself and one on an island. One teller serves bath stations. The bank is interested in determining the average waiting times of customers and has developed a model based on random numbers. The two key factors are the time between successive car arrivals and the time customers wait in line. Assume that the analysis begins with cars just arriving at bath service windows. bath requiring 3 minutes of service time. Car 1 is the attached window attached to the bank unless that window has more cars waiting than the island window. The lone teller will always serve the car that arrived first. If two cars arrive simultaneously, the one at the attached window will be served before the one at the island.

NEW QUESTION: 143

The use of teams in total quality management (TQM) is important because:

A. Well-managed teams can be highly creative and are able to address complex problems better than individuals can.

B. Teams are quicker to make decisions, thereby helping to reduce cycle time.

C. Employee motivation is higher for team members than for individual contributors.

D. The use of teams eliminates the need for supervision, thereby allowing a company to become leaner and more profitable.

Answer: A (LEAVE A REPLY)

Teams can use the diverse knowledge and skills of all team members. Employee involvement means training and empowering employees to harness their creativity for problem solving. Quality control circles are used to obtain input from employees and to locate the best perspective on problem solving.

NEW QUESTION: 144

An internal auditor performed a review of IT outsourcing and found that the service provider was failing to meet the terms of the service level agreement. Which of the following approaches is most appropriate to address this concern?

A. The organization should work with the service provider to review the current agreement and expectations relating to objectives, processes, and overall performance.

B. The organization should review the skill requirements and ensure that the service provider is maintaining sufficient expertise and retaining skilled resources.

C. The organization should proactively monitor the performance of the service provider, escalate concerns, and use penalty clauses in the contract where necessary.

D. The organization should ensure that there is a clear management communication strategy and path for evaluating and reporting on all outsourced services concerns.

Answer: (SHOW ANSWER)

NEW QUESTION: 145

According to IIA guidance, which of the following is a typical risk associated with the tender process and contracting stage of an organization's IT outsourcing life cycle?

A. The operational quality is less than projected.

B. The process is not sustained and is not optimized as planned.

C. There is increased potential for loss of assets.

D. There is a lack of alignment to organizational strategies.

Answer: (SHOW ANSWER)

NEW QUESTION: 146

Which of me following statements is true regarding the reporting of tangible and intangible assets?

A. The organization must expense any cost incurred in developing a plant asset

B. Due to their indefinite nature intangible assets are not subject to amortization

C. For plant assets cost includes the purchase price and the cost of design and construction

D. For intangible assets cost includes the purchase price and development costs

Answer: B (LEAVE A REPLY)

NEW QUESTION: 147

A manager discovers by chance that a newly hired employee has strong beliefs that are very different from the manager's and from those of most of the other employees. The manager's best course of action would be to:

A. Facilitate the reassignment of the new hire as quickly as possible before this situation becomes disruptive.

B. Ask the rest of the team for their reaction and act according to the group consensus.

C. Take no action unless the new hire's behavior is likely to cause harm to the organization.

D. Try to counsel the new hire into more reasonable beliefs.

Answer: C (LEAVE A REPLY)

The only legitimate grounds on which the supervisor may take action is the employee's behavior. Personal beliefs, such as those an religious and political matters, cannot be the basis of personnel actions. Discrimination an the basis of personal beliefs could expose the organization to legal action.

NEW QUESTION: 148

Entity X owns 90% of entity Y. Early in the year, X lent Y U$110,000. No payments have been made on the debt by year-end. Proper accounting at year-end in the consolidated financial statements would:

A. Eliminate 100% of the receivable, the payable, and the related interest.

B. Eliminate 100% of the receivable and the payable but not any related interest.

C. Eliminate 90% of the receivable, the payable, and the related interest.

D. Eliminate 90% of the receivable and the payable but not any related interest.

Answer: (SHOW ANSWER)

In a consolidated balance sheet, reciprocal balances, such as receivables and payables, between a parent and a consolidated subsidiary should be eliminated in their entirety regardless of the portion of the subsidiary's shares held by the parent. Thus, all effects of the US $1 .000.000 loan should be eliminated in the preparation of the year-end consolidated balance sheet.

NEW QUESTION: 149

Which of the following is not a criterion for hedge accounting?

A. The hedge is expected to be highly effective and can be reliably measured.

B. The hedge is assessed only at its inception.

C. A forecast transaction subject to a cash flow hedge must be highly probable.

D. The hedge is formally designated and documented at its inception.

Answer: B (LEAVE A REPLY)

An entity can mitigate a possible loss by using hedges to offset risk. Thus, an entity is said to hedge its financial positions. One of the criteria for hedge accounting is that the hedge be continually assessed and determined to have been effective. Thus it is not assessed only at its inception.

NEW QUESTION: 150

Physical distribution is the moving of finished products to:

A. Retail outlets.

B. Shipping point.

C. Consumers.

D. Warehouses.

Answer: C (LEAVE A REPLY)

Physical distribution is the efficient management of supply chains. It controls value-added flows from suppliers to consumers.

NEW QUESTION: 151

The company has considered several alternatives for replacing the hardware required for a regional center's processing. An advantage of using a third-party cold site is that:

A. Personnel employed at the site would be familiar with company operations.

B. Travel expenses would be minimized for company personnel.

C. No additional equipment would be required at the regional centers.

D. The replacement site could be up and running in a few hours.

Answer: C (LEAVE A REPLY)

A cold site backup facility is a shell facility where the user can quickly install computer equipment and resume operations in the event of a disaster. The facility has all of the needed assets in place except the needed computer equipment and is vendor-dependent for timely delivery of equipment. Accordingly, an advantage of using a third-party cold site is the elimination of the need for additional equipment.
An automobile and personal property insurer has decentralized its information processing to the extent that headquarters has less processing capacity than any of its regional processing centers.
These centers are responsible for initiating policies, communicating with policyholders, and adjusting claims. The company uses leased lines from a national telecommunications company. Initially, the company thought there would be little need for interregion communication, but that has not been the case. The company underestimated the number of customers that would move between regions and the number of customers with claims arising from accidents outside their regions. The company has a regional center in an earthquake-prone area and is planning how to continue processing if that center, or any other single center, were unable to perform its processing.

NEW QUESTION: 152
A domestic entity and a foreign entity purchased the same stock on the foreign stock exchange and held the stock for 1 year. The value of the foreign currency weakened against the domestic currency over this period. Comparing the returns of the two companies, what will be the domestic entity's return?
A. Lower.
B. Higher.
C. The same.
D. Higher in the short-run but lower in the long-run.
Answer: A (LEAVE A REPLY)
The returns on the stock are presumably paid in foreign currency. Hence, the change in the value of the foreign currency relative to the domestic currency does not affect the foreign entity's return. However, the weakening of the foreign currency reduces the amount of domestic currency it will buy, and the domestic entity's return in domestic currency is correspondingly reduced.

NEW QUESTION: 153
As of week 8, the Gantt chart shows that the project is:
A. Complete.
B. Ahead of schedule.
C. On schedule.
D. Behind schedule.
Answer: B (LEAVE A REPLY)

Assuming that 1) each of the bars represents the expected time necessary to complete an activity and 2) the shaded regions represent the portions completed, activity A has been completed as scheduled and activities B and C are ahead of schedule. Consequently, the project is ahead of schedule.

NEW QUESTION: 154

Organization X owns a 38 percent equity stake in Organization Y. Which of the following statements is true regarding the financial treatment for this relationship?

A. Y should not be reported by X as X does not have a controlling interest

B. Y should be reported as a footnote to X's financial statements

C. Y should be listed as an investment asset on X's balance sheet

D. X must consolidate the financial statements for both organizations

Answer: C (LEAVE A REPLY)

NEW QUESTION: 155

The basic formula for the Black-Schools Option Pricing Model essentially refs is The difference between the expected present value of the final stock price and the present value of the exercise price.

$$C = SN(d_1) - Ee^{(-rt)}N(d_2)$$

An entity wishes to price a call option written on a nondividend-paying stock using the Black-Scholes Option Pricing Model. The current stock price is US $50, the exercise price is US $48. The risk-free interest rate is 5.0%, the option expires in 1 year, and the cumulative probabilities used to calculate the present values of the final stock price and the exercise price are 65 and 58 respectively. If the value of et-n) is .9512. the current value of the call option is:

A. US $6.02

B. US $4.66

C. US $4.02

D. US $2.00 Answer

Answer: (SHOW ANSWER)

C is the current value of a call option with time t in years until expiration, S is the current stock price. N di is the cumulative probability that ai deviation less than di will occur in a standardized normal distribution [N di) is an area to the left of d under the curve for the standard normal distribution], E is the call's exercise price. e is a constant approximately 2.7183), and r is the annualized continuous risk-free rate of return. Thus, the value of the call is:

$$\begin{aligned} C &= (\text{US } \$50 \times .65) - (\$48 \times .9512 \times .58) \\ &= \text{US } \$32.50 - (\$48 \times .9512 \times .58) \\ &= \text{US } \$32.50 - \$26.48 \\ &= \text{US } \$6.02 \end{aligned}$$

NEW QUESTION: 156

A manufacturer receives an advance payment for special-order goods that are to be manufactured and delivered within the next year. The advance payment should be reported in the manufacturer's current-year balance sheet as a(n):

A. Current liability

B. Noncurrent liability
C. Contra asset amount.
D. Accrued revenue.
Answer: A (LEAVE A REPLY)
Recognition of an element of financial statement, income which includes revenue and gains) requires that two criteria be met. It must be probable that any future economic benefit associated with the item will flow to or from the enterprise, and the cost or value of the item must be measurable with reliability. The usual procedures for income recognition, e.g., that income be earned, reflect these criteria. Thus, income is recognized when an increase in future economic benefits is associated with an increase in an asset or a decrease in a liability. However, the enterprise has not substantially completed what it must do to be entitled to the benefits represented by the advance payment, and the receipt of future economic benefits is not sufficiently certain to merit income recognition.
Accordingly, a liability should be recognized because the entity has a current obligation arising from a past event that will require an outflow of economic benefits, that is, to deliver goods or to refund the customer's money. The delivery of good is to take place within a year of the balance-sheet date, therefore, the obligations is expected to be settled in the normal course of the operating cycle or is due to be settled within 12 months.

NEW QUESTION: 157
The current generation of ERP software ERP II) has added such front-office functions as:
A. Inventory control.
B. Human resources.
C. Purchasing.
D. Customer service.
Answer: (SHOW ANSWER)
The current generation of ERP software EPP II) has added front-office functions.
Customer relationship management applications in ERP II extend to customer service, finance-related matters, sales, and database creation and maintenance. Integrated data are helpful in better understanding customer needs, such as product preference or location of retail outlets. Thus, the organization may be able to optimize its sales forecasts, product line, and inventory levels.

NEW QUESTION: 158
Which of the following represents the greatest exposure to the integrity of electronic funds transfer data transmitted from a remote terminal?
A. Poor physical access controls over the data center.
B. Network viruses.
C. Poor system documentation.
D. Leased telephone circuits.
Answer: D (LEAVE A REPLY)
Leased telephone circuits represent a direct exposure to the risk of breached
data integrity.
They use public lines that c. an be easily identified and tapped.

NEW QUESTION: 159

In order to provide useful information for an organization's risk management decisions, which of the following factors is least important to assess?

A. The impact of the risk on the organization's objectives.

B. The potential for eliminating risk factors.

C. The underlying causes of the risk.

D. The risk levels of current and future events.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 160

Philip Enterprises, distributor of compact disks (CDs), is developing its budgeted cost of goods sold. Philip has developed the following range of sales estimates and associated probabilities for the year:

Sales Estimate	Probability
US $ 60,000	25%
85,000	40
100,000	35

Philip's cost of goods sold averages 80% of sales. What is the expected value of Philip's budgeted cost of goods sold?

A. US$85,000

B. US$84,000

C. US$68,000

D. US$67,200

Answer: (SHOW ANSWER)

The expected value is calculated by weighting each sales estimate by the probability of its occurrence. Consequently, the expected value of sales is US $84,000 [$60,000 x .25) + ($85,000 x .40) + ($100,000 x .35)]. Cost of goods sold is therefore US $67,200 ($84,000 x 80%).

NEW QUESTION: 161

Traditional information systems development procedures that ensure proper consideration of controls may not be followed by users developing end-user computing EUC) applications.

Which of the following is a prevalent risk in the development of EUC applications?

A. Management decision making may be impaired due to diminished responsiveness to management's requests for computerized information.

B. Management may be less capable of reacting quickly to competitive pressures due to increased application development time.

C. Management may place the same degree of reliance on reports produced by EUC applications as it does on reports produced under traditional systems development procedures.

D. Management may incur increased application development and maintenance costs for EUC systems, compared with traditional mainframe) systems.

Answer: (SHOW ANSWER)

End-user developed applications may not be subject to an independent outside review by systems analysts and are not created in the context of a formal development methodology. These applications may lack appropriate standards, controls, quality assurance procedures, and documentation. A risk of end-user applications is that management may rely on them as much as traditional applications.

NEW QUESTION: 162
Return on investment ROD is a very popular measure employed to evaluate the performance of corporate segments because it incorporates all of the major ingredients of profitability revenue, cost, investment) into a single measure. Under which one of the following combination of actions regarding a segment's revenues, costs, and investment would a segment's POI always increase?

	Revenues	Costs	Investment
A.	Increase	Decrease	Increase
B.	Decrease	Decrease	Decrease
C.	Increase	Increase	Increase
D.	Increase	Decrease	Decrease

A. Option A
B. Option B
C. Option C
D. Option D
Answer: D (LEAVE A REPLY)
An increase in revenue and a decrease in costs will increase the ROI numerator. A decrease in investment will decrease the denominator. The ROI must increase in this situation.

NEW QUESTION: 163
Large organizations often have their own telecommunications networks for transmitting and receiving voice, data, and images. Very small organizations, however, are unlikely to be able to make the investment required for their own networks and are more likely to use:
A. Public switched lines.
B. Fast-packet switches.
C. Standard electronic mail systems.
D. A WAN.
Answer: (SHOW ANSWER)
Companies can use public switched lines phone lines) on a per-transmission basis. This option is the most cost-effective way for low-volume users to conduct telecommunications.

NEW QUESTION: 164
In PERT, slack is the:
A. Uncertainty associated with time estimates.
B. Difference between the latest starting time and earliest finishing time.
C. Path that has the largest amount of time associated with it.
D. Number of days an activity can be delayed without forcing a delay for the entire project.
Answer: D (LEAVE A REPLY)
PERT diagrams are free-form networks showing each activity in a large project as a line between events. The critical path is the longest path in time through the network. That path is critical in that, if any activity on the critical path takes longer than expected, the entire project will be delayed. Paths that are not critical have slack time. Slack is the number of days an activity can be delayed without forcing a delay for the entire project.

NEW QUESTION: 165

Many companies recognize three major categories of costs of manufacturing a product. These are direct materials, direct labor, and overhead. Which of the following is an overhead cost in the production of an automobile?

A. The cost of small tools used in mounting tires on each automobile.

B. The cost of the tires on each automobile.

C. The cost of the laborers who place tires on each automobile.

D. The delivery costs for the tires on each automobile.

Answer: A (LEAVE A REPLY)

The cost of small tools used in mounting tires cannot be identified solely with the manufacture of a specific automobile. This cost should be treated as factory overhead because it is identifiable with the production process.

NEW QUESTION: 166

An organization facing rapid growth decides to employ a third party service provider to manage its customer relationship management function. Which of the following is true regarding the supporting application software used by that provider compared to an inhouse developed system?

1.Updating documentation is always a priority.

2.System availability is usually more reliable.

3.Data security risks are lower.

4.Overall system costs are lower.

A. 1 and 3 only

B. 1 and 2 only

C. 2 and 4 only

D. 3 and 4 only

Answer: C (LEAVE A REPLY)

NEW QUESTION: 167

Which of the following statements accurately describes the impact that automation has on the controls normally present in a manual system?

A. Transaction trails are more extensive in a computer-based system than in a manual system because there is always a one-for-one correspondence between data entry and output.

B. Responsibility for custody of information assets is more concentrated in user departments in a computer- based system than it is in a manual system.

C. Controls must be more explicit in a computer-based system because many processing points that present opportunities for human judgment in a manual system are eliminated.

D. The quality of documentation becomes less critical in a computer-based system than it is in a manual system because data records are stored in machine-readable files.

Answer: (SHOW ANSWER)

Using a computer does not change the basic concepts and objectives of control. However, the use of computers may modify the control techniques used. The processing of transactions may be combined with control activities previously performed separately, or control function may be combined within the information system activity.

NEW QUESTION: 168

Correlation is a term frequently used in conjunction with regression analysis and is measured by the value of the coefficient of correlation. The best explanation of the value r is that it:

A. Is always positive.

B. Interprets variances in terms of the independent variable.

C. Ranges in size from negative infinity to positive infinity.

D. Is a measure of the relative relationship between two variables.

Answer: D (LEAVE A REPLY)

The coefficient of correlation (r) measures the strength of the linear relationship between the dependent and independent variables. The magnitude of r is independent of the scales of measurement of x and y The coefficient has a range of -1 to +1. A value of zero indicates no linear relationship between the x and y variables. A value of +1 indicates a perfectly direct relationship, and a value of -1 indicates a perfectly inverse relationship.

NEW QUESTION: 169

Which of the following assists in ensuring mat information exchanged over IT systems is encrypted?

A. Application software

B. Utility software

C. Firewall

D. Operating system

Answer: C (LEAVE A REPLY)

NEW QUESTION: 170

In which of the following plans is an employee most likely to find guidance on action and performance standards?

A. Mission plans.

B. Tactical plans.

C. Strategic plans.

D. Operational plans.

Answer: (SHOW ANSWER)

NEW QUESTION: 171

A technology developer has entered a two-year contract with another organization to design new software.

According to IIA guidance, which of the following provisions of this agreement would be the most effective to protect the developer's product knowledge and expertise?

A. Defined roles and responsibilities.

B. Intellectual property rights.
C. A performance measurement system.
D. The right to audit.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 172
The primary difference between PERT and CPM is that:
A. CPM uses probabilities on the activity times and PERT does not.
B. PERT considers activity costs and CPM does not.
C. PERT can assign probabilities to activity times and CPM does not.
D. CPM considers activity costs and PERT does not.
Answer: (SHOW ANSWER)
Both PERT and CPM are network analysis techniques. But CPM was developed independently of PERT and is widely used in the construction industry. CPM may be thought of as a subset of PERT. Like PERT, it is a network technique, but, unlike PERT, it uses deterministic time and cost estimates. Its advantages include cost estimates plus the concept of "crash" efforts and costs. Activity times are estimated for normal effort and crash effort. Crash time is the time to complete an activity assuming that all available resources were devoted to the task overtime, extra crew, etc.). Activity costs are also estimated for normal and crash efforts. These estimates allow the project manager to estimate the costs of completing the project if some of the activities are completed on a crash basis. The network diagram is constructed in the same manner as PERT diagrams. Once the diagram is constructed, the critical paths are found for normal and crash times. More than one critical path may exist for each diagram.

NEW QUESTION: 173
Regardless of whether a company develops, buys, leases, or pays for the use of the software for EDI transmissions, internal audit should be responsible for evaluating whether the software:
A. Was developed in a controlled environment.
B. Is backed up adequately to permit recovery.
C. Was acquired with adequate review by legal counsel.
D. Meets business objectives.
Answer: D (LEAVE A REPLY)
An EDI application should meet business objectives and satisfy user and control requirements. The internal auditors should consider the organization's important EDI applications because they represent significant risk exposures and control problems. This role is within the scope of work of the internal auditors, who are charged with examining and evaluating internal control and the quality of performance in carrying out assigned responsibilities.

NEW QUESTION: 174
An internationally recognized brand name is an entrance barrier to new competitors because new competitors would:
A. Face increased production costs.
B. Face increased marketing costs.
C. Face higher learning costs, which would increase fixed costs.
D. Have to initiate a price war in order to enter the industry.
Answer: (SHOW ANSWER)

NEW QUESTION: 175

An internal auditor for a large automotive parts retailer wishes to perform a risk analysis and wants to use an appropriate statistical tool to help identify stores that would be out of line compared to the majority of stores. The most appropriate statistical tool to use is:

A. Linear time series analysis.

B. Cross-sectional regression analysis.

C. Cross tabulations with chi-square analysis of significance.

D. Time series multiple regression analysis to identify changes in individual stores overtime.

Answer: B (LEAVE A REPLY)

Time series data pertain to a given entity over a number of prior time periods. Cross-sectional data, however, pertain to different entities for a given time period or at a given time. Thus, cross-sectional regression analysis is the most appropriate statistical tool because it compares attributes of all stores' operating statistics at one moment in time.

NEW QUESTION: 176

What is the number of production runs per year of computer chairs that would minimize the sum of carrying and setup costs for the coming year?

A. 1

B. 2

C. 4

D. 5

Answer: (SHOW ANSWER)

The EOQ minimizes the sum of carrying and setup costs. The EOQ is the amount at which carrying costs are equal to setup casts. Thus, plugging the data into the EOQ formula results in the following: C:\Documents and Settings\usernwz1\Desktop\1.PNG

$$\text{ECQ} = \sqrt{\frac{2\ \text{US}\ \$1000\ 5000}{\$10}} = 1{,}000\ \text{units}$$

Thus, if each lot consists of 1,000 units, five production runs per year are needed to meet the 5,000-unit demand. At this level, setup costs will total US $5,000 5 x $1,000). Carrying costs will also equal US $5,000 10 per unit carrying cost average inventory of 500 units). Accordingly, total costs are minimized at US $10,000. Jed Ryerson Computer Furniture, Inc. RCF) manufactures a line of office computer chairs. The annual demand for the chairs is estimated to be 5,000 units. The annual cost tic. hold one unit in inventory is US $10 per year, and the cost to initiate a production run is US $1,000. There are no computer chairs on hand, and RCF has scheduled four equal production runs of computer chairs for the coming year, the first of which is to be run immediately. RCF has 250 business days per year, sales occur uniformly throughout the year, and production start-up is within one day. RCF is considering using the following formula for determining the economic order quantity EOQ):

$$\text{ECQ} = \sqrt{\frac{2\text{AD}}{\text{K}}}$$

If: A = cast to initiate a production run per purchase order D = annual unit demand K = cost of carrying one unit per year

NEW QUESTION: 177

The unit selling price of a new entity's product is US $10,000. The buyers are provided with a 2-year warranty that is expected to cost the entity US $250 per unit in the year of the sale and US $750 per unit in the year following the sale. The entity sold 80 units in the first year of operation and 100 units in the second year. Actual payments for warranty claims were US $10,000 and US $65,000 in years one and two, respectively. The amount charged to warranty expense during the second year of operation is:

A. US $25,000

B. US $65,000

C. US $85,000

D. US $100,000

Answer: (SHOW ANSWER)

Under the accrual method, the total estimated warranty costs are charged to operating expense in the year of sale. The total estimated warranty cost per unit is US $1,000$250 +$750). In year two, 100 units were sold, so the warranty expense recognized is US $100,000.

NEW QUESTION: 178

A cost-benefit analysis would show that the manufacturing company would save

A. US $54,000 by purchasing the motors from the outside vendor

B. US $69,000 by purchasing the motors from the outside vendor

C. US $81,000 by making the motors internally

D. US $96,000 by making the motors internally

Answer: C (LEAVE A REPLY)

The relevant costs of making the motor are direct materials, direct labor, variable manufacturing overhead, rental costs of the special machinery, and rental costs of the new warehouse. The fixed manufacturing overhead and the costs of the current warehouse space are not relevant because they will be incurred regardless of whether the motor is made or bought. Buying the motor will cost US $630,000 30,000 x $21).

Making the motor will cost US $549,000 {[30,000 x $8 DM +$ 4 DL + $3 VOH)] +$54,000 + $45,000}. Hence, making the motor saves US $81,000 $630,000 - $549,000). A manufacturing company is considering a new product for the coming year, which is an electric motor the company can purchase from a reliable vendor for US $21.00 per unit. The alternative is t. manufacture the motor internally. The company has excess capacity to manufacture the 30,000 motors needed in the coming year except for manufacturing space and special machinery. The machinery can be leased for US $45,000 annually. Finished goods warehouse space adjoining the main manufacturing facility, leased for US $39,000 annually, can be converted and used to manufacture the motors. Additional offsite space can be leased at an annual cost of US $54,000 to replace the finished goods warehouse. The estimated unit costs for manufacturing the motors internally, exclusive the leasing costs itemized above, are:

Direct material	US $ 8.00
Direct labor	4.00
Variable manufacturing overhead	3.00
Allocated fixed manufacturing overhead	5.00
Total manufacturing cost per unit	US $20.00

NEW QUESTION: 179

An objective of financial reporting is

A. Providing information useful to investors, creditors, donors, and other users for decision making.

B. Assessing the adequacy of internal control.

C. Evaluating management results compared with standards.

D. Providing information on compliance with established procedures.

Answer: A (LEAVE A REPLY)

The objectives of financial reporting are concerned with the underlying goals and purposes of accounting. They are to provide information that1) is useful to those making investment and credit decisions, assuming that those individuals have a reasonable understanding of business and economic activities:2) is helpful to current and potential investors and creditors and other users in assessing the amount timing, and uncertainty of future cash flows; and3) discloses economic resources claims to those resources, and the changes therein.

NEW QUESTION: 180

In May Raymar will be required to:

A. Repay US $20,000 principal and pay US $1,000 interest

B. Repay US $90,000 principal and pay US $100 interest

C. Pay US $900 interest

D. Borrow an additional US $20,000 and pay US $1,000 interest.

Answer: D (LEAVE A REPLY)

The company will have to borrow US $100,000 in April. which means that interest will have to be paid in May at the rate of 1% per month 12% annual rate). Consequently, interest expense is US $1,000 $100,000 x1%) May sales x 50%) + $50,000 April sales x 50%)]. Disbursements in May $4rt,nrtr! [740,000 May payables x 75%) + $40,000 April payables 25%)]. In addition to the May accounts payable disbursements, payroll and other disbursements are US $60,000, bringing total disbursements to US $101,000 $60,000 + $40,000 + $1,000 Thus, disbursements exceed receipts by US $26,000 $101 ,06u $75,000). However, cash has a beginning surplus balance of US $7,500 $100,000 April loan - $92,500 negative cash flow for April). As a result, the company needs to borrow an additional US $18,500 to eliminate its cash deficit. Given the requirement that loans be in US $10,000 increments, the May loan must be for US $20,000. The Raymar Company is preparing its cash budget for the months of April and May. The firm has established a US Collections. 50% of the current month's sales budget and 50% of the previous month's sales budget. $200,000 line of credit with its bank at a 12% annual rate of Accounts Payable Disbursements. 75% of the current month's interest on which borrowings for cash deficits must be made in US$. increments. There is no outstanding balance on the accounts payable budget and 25% of the previous month's accounts payable budget. line of credit loan on April 1. Principal repayments are to be made in any month in which there is a surplus of cash. Interest is to be paid monthly. If there are no outstanding balances on the loans. Raymar will invest any cash in excess of its desired end-of-month cash balance in U.S. Treasury bills. Raymar intends to maintain a minimum balance of US All other disbursements occur in the month in which they are budgeted.

NEW QUESTION: 181

What is the annual carrying cost, stated as a percentage of investment in inventory, that would be used in model?

A. 42%

B. 37%

C. 34%

D. 22%

Answer: A (LEAVE A REPLY)

The annual carrying costs are US $12,750 for the warehouse, US $1,500 for insurance, II and US $2,260 for proper taxes. These costs total US $16,500. In addition, the company desires a 12% after-tax return on investments. Because the tax rate is 40%, the 12% aftertax return equals a 20% before-tax return 12% - 60%). A 20% return on the US $75,000 average investment in inventory is US $15,000. Hence, the total carrying cost is US $31,500 $16,500 + $15,000). This amount is 42% of the US $75,000 investment in inventory.

NEW QUESTION: 182

In the computation of DEPS, which of the following are potential ordinary shares?

	Nonconvertible Preference Shares	Share Options
A.	Yes	No
B.	Yes	Yes
C.	No	Yes
D.	No	No

A. Option A

B. Option B

C. Option C

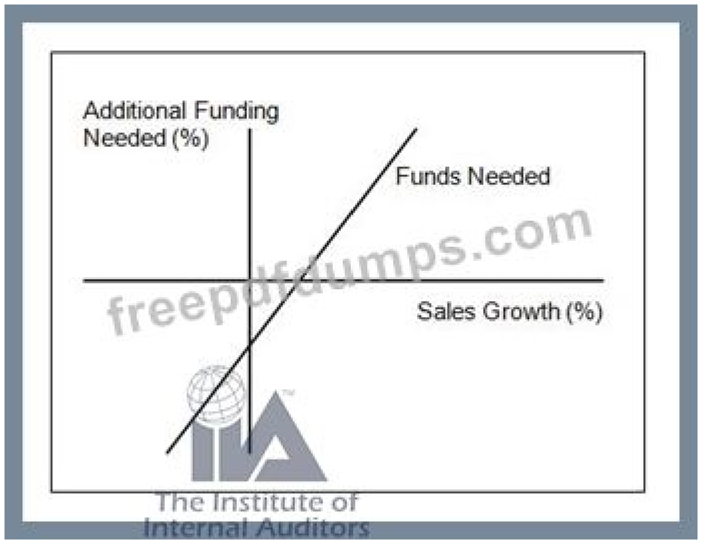
D. Option D

Answer: C (LEAVE A REPLY)

Potential ordinary shares are contracts that may entitle holders to obtain ordinary shares. They include options, warrants, convertible preference shares, convertible debt, and contingently issuable shares. Unlike an option nonconvertible preference shares are never potential ordinary shares.

NEW QUESTION: 183

Refer to the exhibit.



If the profit margin of an organization decreases, and all else remains equal, which of the following describes how the "Funds Needed" line in the graph below will shift?

A. The "Funds Needed" line will point downward with a minimal slope.

B. The "Funds Needed" line will remain pointed upward, but will become more steep.

C. The "Funds Needed" line will remain pointed upward, but will become less steep.

D. The "Funds Needed" line will point downward with an extreme slope.

Answer: (SHOW ANSWER)

NEW QUESTION: 184

Shown below is a forecast of sales for the first 4 months of the year all amounts are in thousands of dollars).

	January	February	March	April
Cash sales	US $ 15	US $ 24	US $18	US $14
Sales on credit	100	120	90	70

On average, 50% of credit sales are paid for in the month of sale, 30% in the month following the sale, and the remainder is paid 2 months after the month of sale. Assuming there are no bad debts, what is the expected cash inflow in March?

A. US $138,000

B. US $122,000

C. US $119,000

D. US $108,000

Answer: D (LEAVE A REPLY)

Cash inflows for March would consist of 50% of March credit sales US $90 x 50% = US $45). Plus 30% of February credit sales US $120 x 30% = US $36). plus 20% of January credit sales US $ 11-11. 20% = US $20). plus cash sales for March of US $18. Consequently, total collections equal US $1 18,000.

NEW QUESTION: 185

Management's enthusiasm for computer security seems to vary with changes in the environment, particularly the occurrence of other computer disasters. Which of the following concepts should be addressed when making a comprehensive recommendation regarding the costs and benefits of computer security?

I. Potential loss if security is not implemented

II. Probability of occurrences

III.

Cost and effectiveness of the implementation and operation of computer security

A. I only.

B. I and II only.

C. III only.

D. I, II, and III.

Answer: D (LEAVE A REPLY)

Potential loss is the amount of dollar damages associated with a security problem or loss of assets. Potential loss times the probability of occurrence is an estimate expected value) of the exposure associated with lack of security. It represents a potential benefit associated with the implementation of security measures. To perform a cost-benefit analysis, the costs should be considered. Thus, all three items need to be addressed.

NEW QUESTION: 186

Which of the following borrowing options is an unsecured loan?

A. Asset-based financing.

B. Second-mortgage financing from a bank.

C. An issue of commercial paper.

D. Pledged accounts receivable.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 187

According to Porter, which of the following is associated with fragmented industries?

A. Strong negotiation power with suppliers.

B. Weak entrance barriers.

C. Steep experience curve.

D. Significant scale economies.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 188

One consequence of the imposition of tariffs or quotas on imported products is:

A. Lower prices for domestic products that compete with affected imports.

B. Domestic industry opposition to protection from imports.

C. Additional consumption of the affected imported products.

D. Higher prices for the affected imported products.

Answer: (SHOW ANSWER)

Tariffs lead to higher prices on imported products. Similarly, the imposition of quotas leads to higher prices through an artificial limitation on supply.

NEW QUESTION: 189

Minimizing the likelihood of unauthorized editing of production programs, job control language, and operating system software best be accomplished by:

A. Database access reviews

B. Compliance reviews.

C. Change control procedures.

D. Network security audits.

Answer: C (LEAVE A REPLY)

Program change control includes 1) maintaining records of change authorizations, code changes, and test results, 2) adhering to a systems development methodology including documentation); 3) authorizing changeovers of subsidiary and headquarters' interfaces; and 4) restricting access to authorized source and executable codes.

NEW QUESTION: 190

The total contribution margin for Year 1 is:

A. US $2,970,000

B. US $4,950,000

C. US $5,400,000

D. US $6,030,000

Answer: (SHOW ANSWER)
The total contribution margin equals sales minus variable costs, or US $4,950,000 $9,000,000 $1,800,000 - $720,000 - $1,080,000 - $450,000). Data regarding Year 1 operations for an enterprise that had no beginning or ending inventories are as follows:

Sales (150,000 units)	US $9,000,000
Variable costs	
Direct materials	US $1,800,000
Direct labor	720,000
Manufacturing overhead	1,080,000
Selling expenses	450,000
Fixed costs	
Manufacturing overhead	US $ 600,000
Administrative expenses	567,840
Selling expenses	352,800
Income tax rate	40%

The enterprise estimates that next year direct materials costs will increase by 101 and direct labor costs will increase by US $0.60 per unit to US $5.40 per unit. In addition, fixed selling expenses will increase by US $29,520. All other costs will be incurred at the same rates or amounts as the current year.

NEW QUESTION: 191
Which of the following is a tool of monetary policy that a nation's central bank could use to stabilize the economy during an inflationary period?
A. Selling government securities.
B. Lowering bank reserve requirements.
C. Lowering bank discount rates.
D. Encouraging higher tax rates.
Answer: (SHOW ANSWER)
Selling government securities is constructional because it takes money out of circulation.

NEW QUESTION: 192
A seller's price is below an appropriate measure of costs. Moreover, the seller has a reasonable prospect of recovering the resulting loss in the future through higher prices or a greater market share. Accordingly, the seller has engaged in:
A. Collusive pricing.
B. Dumping.
C. Predatory pricing.
D. Price discrimination.
Answer: C (LEAVE A REPLY)
Predatory pricing is intentionally pricing below cost to eliminate competition and reduce supply. Many statutes prohibit the practice. Pricing is predatory when two conditions are met: (1) the seller's price is below an appropriate measure of its costs, and (2) it has a reasonable prospect of recovering the resulting loss through higher prices or greater market share.

NEW QUESTION: 193
Which of the following factors is most likely to lead to a lack of cohesiveness in a project team?
A. Small size.
B. Competition
C. Common threat
D. Prestige

Answer: (SHOW ANSWER)

NEW QUESTION: 194

In mergers and acquisitions, which of the following is an example of a horizontal combination?

A. A baker taking over a competitor.

B. A petroleum processing company acquires an agro-processing firm.

C. Dairy manufacturing company taking over a large dairy farm.

D. A movie producer acquires movie theaters.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 195

The share split proposal will <List A> earnings per share by <List B> than will the share

	List A	List B
A.	Increase	More
B.	Increase	Less
C.	Decrease	More
D.	Decrease	Less

A. Option A

B. Option B

C. Option C

D. Option D

Answer: C (LEAVE A REPLY)

The share split will double the number of shares outstanding to 2,000. The 10% share dividend will increase the number of outstanding shares to 1,111. The higher number of shares in the split will result in a lower earnings per share than will result from the share dividend. An entity has issued 1,000 ordinary shares with a par value of US$10 and its credit balance in retained earnings is US $5,000. Two proposals are under consideration. The first is a share split giving each shareholder two new shares for each share formerly held. The second is to declare and distribute a 10% share dividend.

NEW QUESTION: 196

A new advertising agency serves a wide range of clients including manufacturers, restaurants, service businesses, department stores, and other retail establishments. The accounting system the advertising agency has most likely adopted for its record keeping in accumulating costs is:

A. Job-order costing.

B. Operation costing.

C. Relevant costing.

D. Process costing.

Answer: A (LEAVE A REPLY)

Job-order costing is used by organizations whose products or services are readily identified by individual units or batches. The advertising agency accumulates its costs by client Job-order costing is the most appropriate system for this type of nonmanufacturing firm.

NEW QUESTION: 197

The major objectives of any budget system are to:

A. Define responsibility centers, provide a framework for performance evaluation, and promote communication and coordination among organization segments.

B. Define responsibility centers, facilitate the fixing of blame for missed budget predictions, and ensure goal congruence between superiors and subordinates.

C. Foster the planning of operations, provide a framework for performance evaluation, and promote communication and coordination among organization segments.

D. Foster the planning of operations, facilitate the fixing of blame for missed budget predictions, and ensure goal congruence between superiors and subordinates.

Answer: C (LEAVE A REPLY)

A budget is a realistic plan for the future expressed in quantitative terms. The process of budgeting forces a company to establish determine the resources necessary to achieve those goals, and anticipate future difficulties in their ache investment. A budget is also a control tool because it establishes standards and facilitates comparison of actual and budgeted performance. Because a budget establishes standards and accountability, it motivates d. =.d performance by highlighting the work of effective managers.

Moreover, the nature of the budgeting process fosters communications of goals to company subunits and coordination of their efforts. Budgeting activities by entities within the company must be coordinated because they are interdependent. Thus, the sales budget is a necessary input to the formulation of the production budget. In turn, production requirements must be known before purchases and expense budgets can be developed and all other budgets must be completed before preparation of the cash budget.

NEW QUESTION: 198

Which of the following refers to taxes that do not necessarily take a larger absolute share of an increase in income?

A. Progressive.

B. Proportional

C. Regressive.

D. Flat.

Answer: (SHOW ANSWER)

Regressive taxes are those for which the average tax rate falls as income rises. They take a smaller percentage of income as income rises, so they will not necessarily take a larger absolute amount of income as income rises.

NEW QUESTION: 199

The economic order quantity can be calculated using the following formula:

$$Q = \sqrt{\frac{2Dp}{s}}$$

Q = Order size in units
D = Annual demand in units
p = Cost per purchase order
s = Carrying cost per year for one unit of inventory

Which of the following describes how the optimal order size will change if the annual demand increases by 36 percent?

A. Decrease by about 7 percent.

B. Decrease by about 17 percent.

C. Increase by about 7 percent.

D. Increase by about 17 percent.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 200

At what point during the systems development process should an internal auditor verify that the new application's connectivity to the organization's other systems has been established correctly?

A. Prior to testing the new application.

B. During testing of the new application.

C. During implementation of the new application.

D. During maintenance of the new application.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 201

An entity had the following account balances at December 31 of Year 1:

Ordinary shares, US $10 par, 100,000 shares authorized, 80,000 shares issued and outstanding	US $800,000
Share premium	US $400,000
Retained earnings	US $500,000

All shares outstanding were issued in a prior period for US $15 per share. On January 5 of Year 21000 shares were purchased for the treasury for US $17 per share. These treasury shares were sold on February 6 of Year 2, for US $18 per share. The effect of the purchase and sale of the 1.000 treasury shares was to:

A. Increase equity by US $1.000.

B. Increase equity by US $2,000.

C. Increase equity by US $3.000.

D. Not change equity.

Answer: A (LEAVE A REPLY)

Using the cost method, the journal entry to record the purchase of the treasury shares is.

Treasury shares	US $17,000	
Cash		US $17,000
The journal entry to record the sale is		
Cash	US $18,000	
Treasury shares		US $17,000
Share premium from treasury shares		1,000

Consequently, the net effect is to increase equity by US $1,000.

NEW QUESTION: 202

If the value of the U.S. dollar in foreign currency markets changes from US $1 = .95 euros to US $1 = .90 euros.

A. The euro has depreciated against the dollar.

B. Products imported from Europe to the U.S. will become more expensive.

C. U.S. tourists in Europe will find their dollars will buy more European products.

D. U.S. exports to Europe should decrease.

Answer: B (LEAVE A REPLY)

The dollar has declined in value relative to the euro_ If an American had previously wished to purchase a European product that was priced at 10 euros, the price would have been about US $10.53. After the dollar's decline in value, the price of the item has increased to about US $11.11. Hence, imports from Europe should do-i --se and exports increase.

NEW QUESTION: 203

Which of the following is the most likely reason an organization may decide to undertake a stock split?

A. To keep stock price constant.

B. To keep shareholders' equity constant.

C. To enhance the stock liquidity.

D. To increase shareholders' equity.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 204

Value-added taxes are levied on:

A. Interest income received by individual owners of publicly traded bonds.

B. Dividend in me received by corporations owning shares of other corporations

C. The value of an entity's assets.

D. The difference between an entity's sales and its purchases from other entities.

Answer: (SHOW ANSWER)

A value-added tax is levied on the value an entity adds to a good or service. This amount is measured as the difference between the value of an entity's sales and the value of its purchases from other entities. A value-added tax is therefore similar to a retail sales tax. It is equivalent to a national sales tax on consumer goods. By penalizing consumption, it encourages saving and investment.

NEW QUESTION: 205

A manager has difficulty motivating staff to improve productivity, despite establishing a lucrative individual reward system. Which of the following is most likely the cause of the difficulty?

A. High collectivism.

B. Low long-term orientation.
C. Low uncertainty avoidance.
D. High degree of masculinity.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 206
An organization that sells products to a foreign subsidiary wants to charge a price that will decrease import tariffs. Which of the following is the best course of action for the organization?
A. Decrease the transfer price.
B. Charge at the arm's length price.
C. Charge at the optimal transfer price.
D. Increase the transfer price.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 207
Which of the following is an example of a physical security control that should be in place at an organization's data center?
A. Backup servers in the data center are stored in an environmentally controlled location
B. All users have a unique ID and password to access data
C. Swipe cards are used to access the data center
D. Firewalls and antivirus protection are in place to prevent unauthorized access to data.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 208
An internal auditor has been asked to conduct an investigation involving allegations of independent contractor fraud. Which of the following controls would be least effective in detecting any potential fraudulent activity?
A. Exception report identifying payment anomalies.
B. Monthly management review of all contractor activity.
C. Periodic account reconciliation of contractor charges.
D. Documented policy and procedures.
Answer: (SHOW ANSWER)

NEW QUESTION: 209
According to the COSO enterprise risk management (ERM) framework, which of the following is not a typical responsibility of the chief risk officer?
A. Guiding integration of ERM with other management activities.
B. Providing the board with an independent, objective risk perspective on financial reporting.
C. Establishing risk category definitions and a common risk language for likelihood and impact measures.
D. Defining ERM roles and responsibilities.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 210

Which of the following is classified as a product cost using the variable costing method?
1. Direct labor costs
2. Insurance on a factory.
3. Manufacturing supplies.
4. Packaging and shipping costs
A. 1 and 2
B. 2 and 4
C. 3 and 4
D. 1 and 3
Answer: (SHOW ANSWER)

NEW QUESTION: 211
A disadvantage of separating performance evaluations from compensation-increase
decisions is that:
A. Not enough emphasis is placed on short-run performance.
B. Financial rewards may lose their motivational effect.
C. Employees may not be motivated by good appraisals.
D. The employee's performance evaluation does not consider the financial status of the company overall.
Answer: C (LEAVE A REPLY)
The employee may not be motivated immediately by a good appraisal because of the delay in receipt of any monetary reward. The evaluation also may not be taken as seriously by the employee if compensation is not correlated with performance.

NEW QUESTION: 212
An extraordinary gain occurs in the second fiscal quarter. How should the gain be accounted for?
A. Recognized in full in the second quarter.
B. Recognized equally over the second, third, and fourth quarters.
C. Recognized only in the annual financial statements.
D. Recognized equally in each quarter, by restating the first quarter.
Answer: (SHOW ANSWER)
Gains and losses similar to those that would not be deferred at year-end should not be deferred to later interim periods of the same year. Hence, the extraordinary gain should not be prorated. However, no items of income or expense are presented as extraordinary on the income statement or in the notes:

NEW QUESTION: 213

Organizations mat adopt just-in-time purchasing systems often experience which of the following?

A. A greater need for inspection of goods as the goods arrive.

B. An increase in the number of suitable suppliers

C. A slight increase in carrying costs.

D. A greater need for linkage with a vendor s computerized order entry system.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 214

An organization is considering the outsourcing of its business processes related to payroll and information technology functions. Which of the following is the most significant area of concern for management regarding this proposed agreement?

A. Ensuring that the vendor has complete management control of the outsourced process.

B. Ensuring that there are means of monitoring the efficiency of the outsourced process.

C. Ensuring that payments to the vendor are appropriate and timely for the services delivered.

D. Ensuring that there are means of monitoring the effectiveness of the outsourced process.

Answer: (SHOW ANSWER)

NEW QUESTION: 215

A company manufactures a single product. Estimated cost data regarding this product and other information for the product and the company are as follows:

Sales price per unit	US $40
Total variable production cost per unit	US $22
Sales commission (on sales)	5%
Fixed costs and expenses:	
Manufacturing overhead	US $5,598,720
General and administrative	US $3,732,480
Effective income tax rate	40%

The number of units the company must sell in the coming year in order to reach its breakeven point is:

A. 388,800 units

B. 518,400 units

C. 583,200 units

D. 972,000 units

Answer: C (LEAVE A REPLY)

The breakeven point is determined by dividing total fixed costs by the unit contribution margin. The total fixed costs are US $9,331,200 $5,598,720 manufacturing overhead +$3,732,480 general and administrative). The contribution margin is US $16.00 $40 sales price - $22 variable production cost-$2 commission). Thus, the breakeven point is 583,200 units US $9.331,200 - $16).

NEW QUESTION: 216

An organization requires an average of 58 days to convert raw materials into finished products to sell. An average of 42 additional days is required to collect receivables. If the organization takes an average of 10 days to pay for the raw materials, how long is its total cash conversion cycle?

A. 26 days.

B. 110 days.

C. 90 days.
D. 100 days.
Answer: (SHOW ANSWER)

NEW QUESTION: 217
An entity has excess capacity in production-related property, plant, and equipment If in a given year these assets are being used to only 80% of capacity and the sales level in that year is US $2 million, the full capacity sales level is:
A. U S $1,600,000
B. US $2,000,000
C. US $2,500,000
D. U S $10,000,000
Answer: (SHOW ANSWER)
Full capacity sales equals actual sales divided by the percentage of capacity at which PPEs were operated. Thus, full capacity sales equals US $2,500,000 $2,000,000 - 80%).

NEW QUESTION: 218
If a series of profit lines for and Y are drawn on the graph, the mix of G and Y that will result in the maximum profit can be determined from:
A. The last point in the feasible solution region touched by a profit line.
B. Any point on the boundary of the feasible solution region touched by a profit line.
C. The first paint an the feasible solution region boundary that intersects a profit line.
D. Any point on the demand constraint that intersects a profit line.
Answer: (SHOW ANSWER)
A. profit line has negative slope because the profit from sales of one product increases as
the profit from sales of the other product declines. Moving the profit line rightward while maintaining its slope) to the last paint in the feasible region determines the solution.

NEW QUESTION: 219
If a just-in-time purchasing system is successful in reducing the total inventory costs of a manufacturing company, which of the following combinations of cost changes would be most likely to occur?

	Cost Category to Increase	Cost Category to Decrease
1.	Purchasing costs	Stockout costs
2.	Purchasing costs	Quality costs
3.	Quality costs	Ordering costs
4.	Stockout costs	Carrying costs

A. 1
B. 3
C. 2
D. 4
Answer: D (LEAVE A REPLY)

NEW QUESTION: 220

Object technology has become important in companies' strategic use of information systems because of its potential to:

A. Permit quicker and more reliable development of systems.

B. Maintain programs written in procedural languages.

C. Minimize data integrity violations in hierarchical databases.

D. Streamline the traditional "waterfall" systems development methodology.

Answer: (SHOW ANSWER)

An object-oriented approach is intended to produce reusable code. Because code segments can be reused in other programs, the time and cost of writing software should be reduced.

NEW QUESTION: 221

A sound justification for an entity's repurchase of its own shares e.g. treasury shares) is to:

A. Lower the debt to equity ratio of the entity.

B. Increase the entity's total assets.

C. Reduce the idle cash and increase marketable securities.

D. Meet the share availability needs of a potential merger.

Answer: (SHOW ANSWER)

An entity has many reasons to repurchase its own shares. These include meeting the needs created by potential mergers or pension and profit-sharing plans. Also, management may want to buy out a dissident shareholder. Sometimes, an entity has excess cash and can find no better investment than its own shares. Moreover, management may believe the shares are selling for a low price for no apparent reason. Thus, a purchase may not only be a good investment but may also support the market price of the shares.

NEW QUESTION: 222

The best plan for responding to quickly changing information requirements is to foster:

A. Greater online access to information systems.

B. Competitive pressures for enhanced functions in systems.

C. Closer linkage between organizational strategy and information.

D. More widespread use of automated controls.

Answer: C (LEAVE A REPLY)

An important management challenge is to integrate the planning, design, and implementation of complex application systems with the strategy of the organization, which will permit the best possible response to quickly changing information requirements.

NEW QUESTION: 223

A retail entity maintains a markup of 25 % based on cost. The entity has the following information for the current year:

Purchases of merchandise	US $690,000
Freight-in on purchases	25,000
Sales	900,000
Ending inventory	80,000

Beginning inventory was:

A. US $40,000

B. US $85,000

C. US $110,000

D. US $265,000

Answer: (SHOW ANSWER)

Cost of goods sold equals beginning inventory, plus purchases including freight-in minus ending inventory. Given that sales reflect 125% of cost, cost of goods sold must equal US $720,000$900.000 sales Consequently the beginning inventory must been US $85,000$720,000 CGS $80,000 E- $690,000 purchases - $25,000 freight-in)

NEW QUESTION: 224

The entity had net purchases for the period of;

A. US $340.111111

B. US $370.111111

C. US $376.111111

D. US $346.111111

Answer: A (LEAVE A REPLY)

NEW QUESTION: 225

Which of the following recognized competitive strategies focuses on gaining efficiencies?

A. Differentiation

B. Focus

C. Cost leadership

D. Innovation

Answer: (SHOW ANSWER)

NEW QUESTION: 226

On March 15, Year 1 Kathleen Corp. adopted a plan to accumulate US $1.000.000 by September 1 Year 5 Kathleen plans to make four equal annual deposits to a fund that will earn interest at 10% compounded annually. Kathleen made the first deposit on September 1, Year 1. Future value and future amount factors are as follows:

Future value of US $1 at 1 O% for four periods 1.46

Future amount of ordinary annuity of US $1 at 10% for four periods 4.64

Future amount of annuity in advance of US $1 at 10% for four periods 5.11

Kathleen should make four annual deposits rounded of

A. US $250,000

B. US $215,500

C. US $195,700

D. US $684,930

Answer: C (LEAVE A REPLY)

The depositor wishes to have US $1 .000.000 at the end of a 4-year period from 9/I r 1 to 9111Yr 5). The amount will be generated from four equal annual payments an annuity) to be made starting at the beginning of the 4-year period. The annual payment for this annuity can be calculated advance by dividing the desired future amount of US $1.000.000 by the factor for the future amount of an amount in advance of US $1 at 10% for four periods. Each annual deposit should therefore equal US $195.700$1.000.000 -5.11).

NEW QUESTION: 227

The activity that involves a trial run of a product in a typical segment of the market before proceeding to a national launch is referred to as:

A. Test marketing

B. Positioning

C. Experimentation

D. Segmentation

Answer: A (LEAVE A REPLY)

NEW QUESTION: 228

At year-end, the entity has a book value per share of:

A. US $10.00

B. US $15.00

C. US $21.63

D. US $25.00

Answer: D (LEAVE A REPLY)

Book value per share based, on balance sheet amounts, measures the per share amount that would be received if the entry were liquidated. The ratio is calculated as ordinary equity divided by the number of outstanding shares.

$$= \frac{\text{Equity in ordinary shares} + \text{Retained Earnings}}{\text{Outstanding Shares}}$$

$$= \frac{\text{US \$100,000} + \text{\$150,000}}{\text{10,000 shares}}$$

$$= \text{US \$25}$$

Account	Balance
Long-term debt	US $200,000
Cash	50,000
Net sales	600,000
Fixed assets (net)	320,000
Tax expense	67,500
Inventory	25,000
Ordinary shares	100,000
Interest expense	20,000
Administrative expense	35,000
Retained earnings	150,000
Accounts payable	65,000
Accounts receivable	120,000
Cost of goods sold	400,000
Depreciation expense	10,000

Additional Information:

The opening balance of ordinary shares was US $100,000. The opening balance of ordinary earning was US $82,500. The entity had 10,000 ordinary shares outstanding all year. No dividends were paid during the year.

NEW QUESTION: 229

How will profit or loss be affected by the amortization of a premium on bonds payable?

A. Interest expense is decreased, so profit or loss is increased

B. Interest expense is increased, so profit or loss is decreased

C. Interest income is increased, so profit or loss is increased. D Interest income is decreased, so profit or loss is decreased.

Answer: A (LEAVE A REPLY)

The entry is to debit interest expense, debit bond premium, and credit cash paid. Thus, the amortization of a premium on bonds payable reduces the interest expense, thereby increasing profit or loss.

NEW QUESTION: 230

Under the share <List A>, the par value per outstanding share will <List B>, List A List B:

	List A	List B
A.	Dividend	Increase
B.	Split	Increase
C.	Dividend	Decrease
D.	Split	Decrease

A. Option A

B. Option B

C. Option C

D. Option D

Answer: (SHOW ANSWER)

A share split results in a lower par value per share because the total number of shares increases but the total par value of outstanding share does not change.

NEW QUESTION: 231

In which type of business environment are price cutting strategies and franchising strategies most appropriate?

A. Fragmented, decline.

B. Embryonic, focused.
C. Mature, fragmented.
D. Competitive, embryonic.
Answer: (SHOW ANSWER)

NEW QUESTION: 232
Which of the following statements is true regarding the roles and responsibilities associated with a corporate social responsibility (CSR) program?
A. The internal audit activity is responsible for ensuring that CSR principles are integrated into the organization's policies and procedures.
B. The board has overall responsibility for the internal control processes associated with the CSR program.
C. Management has overall responsibility for the effectiveness of governance, risk management, and internal control processes associated with the CSR program.
D. Every employee has a responsibility for ensuring the success of the organization's CSR objectives.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 233
An entity plans to tighten its credit policy. The new policy will decrease the average number of days in collection from 75 to 50 days and will reduce the ratio of credit sales to total revenue from 70% to 60%. The entity estimates that projected sales will be 5% less if the proposed new credit policy is implemented. If projected sales for the coming year are US $50 million, calculate the dollar impact on accounts receivable of this proposed change in credit policy. Assume a 360-day year.
A. US $3,817,445 decrease
B. US $6,500,000 decrease
C. US $3,333,334 decrease
D. US $18,749,778 increase
Answer: (SHOW ANSWER)
If sales are US $50 million, 70% of which are on credit, total credit sales will be US $35 million. The receivables turnover equals 4.8 times per year 360 days - 75-day collection period). Receivables turnover equals net credit sales divided by average receivables. Accordingly, average receivables equal US $7,291.667 $35,000,000 - 4.8). Under the new policy, sales will be US $47.5 million 95% x $50,000,000), and credit sales will be US $28.5 million 60% x $47,500,000). The collection period will be reduced to 50 days, resulting in a turnover of 7.2 times per year 360 - 50). The average receivables balance will therefore be US $3,958,333 ($28,500,000 - 7.2), a reduction of US $3,333,334 $7,291.667 $3,958,333).

NEW QUESTION: 234
In relation to the monetary unit amount of sales, which of the following cost classifications is appropriate for advertising and sales salaries costs?

	Advertising	Sales Salaries
A.	Variable cost	Fixed cost
B.	Fixed cost	Variable cost
C.	Mixed cost	Mixed cost
D.	Fixed cost	Fixed cost

A. Option A
B. Option B

C. Option C

D. Option D

Answer: D (LEAVE A REPLY)

Both advertising and sales salaries should be classified as fixed costs. The advertising was constant for 3 of the 4 months and would be considered fixed in terms of monetary unit sales. Sales salaries also did not vary with monetary unit sales. A company manufactures and sells a single product. Planned and actual production in its first year of operation was 100,000 units. Planned and actual costs for that year were as:

	Manufacturing	Nonmanufacturing
Variable	US $600,000	US $500,000
Fixed	400,000	300,000

The company sold 85,0u0 units of product at a selling price of US $30 per unit.

NEW QUESTION: 235

Faced with 3 years of steadily decreasing profits despite increased sales and a growing economy, which of the following is the healthiest course of action for a chief executive officer to take?

A. set a turnaround goal of significantly increasing profits within 2 months. Set clear short-term objectives for ach operating unit that, together should produce the turnaround.

B. Reduce staff by 10% in every unit

C. Classify all job functions as either a) adding value in the eyes of the customer such as production and sales) or b) not adding value in the eyes of the customer such as accounting and human resources)_ Reduce staff in the non-value-adding functions by 20%.

D. Implement a plan to encourage innovation at all levels. Use early retirement and reemployment programs to trim staff size.

Answer: D (LEAVE A REPLY)

Organizational decline has been found to have the following characteristics: greater 7 centralization lack of long-term planning, reduced innovation, scapegoating, resistance to change, high turnover of competent leaders, low morale, nonprioritized downsizing, and conflict. Reversing these characteristics is the key to reversing organizational decline, for example, by encouraging innovation in all aspects of the organization's activities and by redeploying personnel.

NEW QUESTION: 236

An organization is projecting sales of 100,000 units, at a unit price of $12. Unit variable costs are $7. If fixed costs are $350,000, what is the projected total contribution margin?

A. $350,000

B. $500,000

C. $850,000

D. $1,200,000

Answer: (SHOW ANSWER)

Explanation

NEW QUESTION: 237

The expected time of the critical path is:

A. 12.0 days.

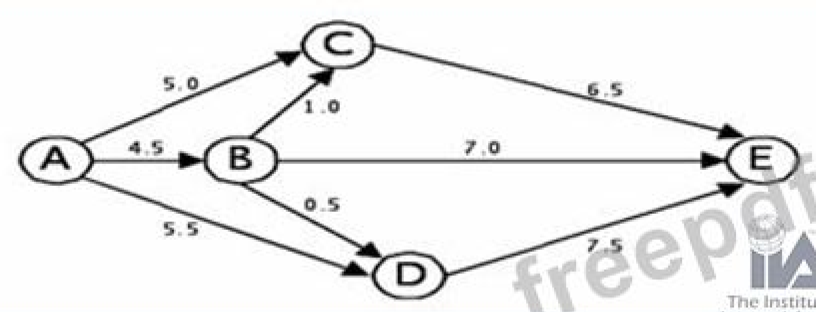
B. 13.0 days.

C. 11.5 days.

D. 11.0 days.

Answer: B (LEAVE A REPLY)

The critical path is the longest path. The longest path in the diagram is A-D-E, which requires 13 days 5.5 + 7.5) based on expected times. The network diagram and the corresponding activity cost chart for a manufacturing project at Networks, Inc. are presented below. The numbers in the diagram are the expected times in days) to perform each activity in the project.



Activity	Normal Cost	Crash Time	Crash Cost
AB	US $3,000	3.50 days	US $4,000
AC	5,000	4.50	5,250
AD	4,000	4.00	4,750
BE	6,000	5.00	7,000
CE	8,000	5.00	9,200
DE	6,000	6.50	6,750
BC	2,500	.50	3,500
BD	2,000	.25	2,500

NEW QUESTION: 238

Which of the following accounting methods is an investor organization likely to use when buying 40 percent of the stock of another organization?

A. Equity method

B. Cost method

C. Consolidation method

D. Fair value method

Answer: A (LEAVE A REPLY)

NEW QUESTION: 239

If a just-in-time purchasing system is successful in reducing the total inventory costs of a manufacturing company, which of the following combinations of cost changes would be most likely to occur?

	Cost Category to Increase	Cost Category to Decrease
1.	Purchasing costs	Stockout costs
2.	Purchasing costs	Quality costs
3.	Quality costs	Ordering costs
4.	Stockout costs	Carrying costs

A. 4

B. 3

C. 1

D. 2

Answer: A (LEAVE A REPLY)

NEW QUESTION: 240

A financial statement includes all of the following items: profit. depreciation, operating activities, and financing activities. What financial statement is this?

A. Balance sheet.
B. Income statement.
C. Statement of cash flows.
D. Statement of changes in equity.
Answer: C (LEAVE A REPLY)
A statement of cash flows is a required financial statement. It provides information about cash receipts and payments by reporting the cash effects of an enterprise's operating, investing, and financing activities. Related disclosures report the effects of noncash investing and financing activities. If the statement is presented using the indirect method, it will reconcile profit or loss to net cash from used in operating activities. Depreciation, a noncash expense, is included in this presentation.

NEW QUESTION: 241
Copper Co will report year-end total assets of:
A. US $800,000
B. US $890,000
C. US $950,000
D. US $1,010,000
Answer: B (LEAVE A REPLY)
The year-end total assets can be determined by summing all of the assets and deducting accumulated depreciation including the current year's depreciation). Total accumulated depreciation at the end of the second year is US $120,000 [($600,000 - 10 years) x 2 years]. Total assets equal US $890,000$80,000 cash + $100,000 A/R + $230,000 EI +$600,000 gross property, plant, and equipment- $120,000 accumulated depreciation).
Copper Co. had the pre-closing trial balance at December 31 shown below. Additional information: The balance of opening inventory was US $140,000. The long-term debt pays interest at a rate of 10% per annum, payable every 12 months. The debt was issued on July 1 of the current year and originally had 5 years to maturity. The assets classified as property, plant, and equipment have a 10-year estimated useful life and were 1 year old at the start of the current year Straight-line depreciation is used.

Cash	US $ 80,000
Accounts receivable	100,000
Inventory	230,000
Gross property, plant, and equipment	600,000
Accumulated depreciation	60,000
Accounts payable	200,000
Long-term debt	1,000,000
Share capital	2,000,000
Retained earnings (Jan. 1)	500,000
Sales revenue	750,000
Purchases	530,000
Administrative expenses	200,000

NEW QUESTION: 242

If a company is customer-centered, its customers are defined as:
A. Only people external to the company who have purchased something from the company.
B. Only people internal to the company who directly use its product.
C. Anyone external to the company and those internal who rely on its product to get their job done.
D. Everybody external to the company who is currently doing, or may in the future do, business with the company.
Answer: C (LEAVE A REPLY)
One of the principles of total quality management (TQM) is customer orientation, whether the customer is internal or external. An internal customer is a member of the organization who relies on another member's work to accomplish his/her task.

NEW QUESTION: 243
Which of the following statements is true regarding an organization's inventory valuation1?
A. The valuation will be incorrect it the inventory includes goods m transit shipped free on board (FOB) destination to another organization
B. The valuation will be correct it the inventory includes goods sent on consignment to another organization
C. The valuation will be correct if the inventory includes goods received on consignment from another organization
D. The valuation will be incorrect it the inventory includes goods in transit shipped FOB shipping point from another organization
Answer: C (LEAVE A REPLY)

NEW QUESTION: 244
In regression analysis, which of the following correlation coefficients represents the strongest relationship between the independent and dependent variables?
A. 1.03
B. -02
C. -.89
D. .75
Answer: C (LEAVE A REPLY)
Because the range of values is between -1 and 1.89 suggests a very strong inverse relationship between the independent and dependent variables. A value of -1 signifies a perfect inverse relationship, and a value of 1 signifies a perfect direct relationship.

NEW QUESTION: 245
Under a value-added taxing system:
A. The amount of value added is the difference between an organization's sales and its cost of goods sold.
B. The consumer ultimately bears the cost of the tax through higher prices.
C. Businesses must pay a tax only if they make a profit.
D. Consumer savings are discouraged.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 246
A firm is attempting to estimate the reserves for doubtful accounts. The probabilities of these doubtful accounts follow a transition process over time. They evolve from their starting value to a changed value. As such, the most effective technique to analyze the problem is:
A. Markov chain analysis.

B. Econometric theory.
C. Monte Carlo analysis.
D. Dynamic programming.
Answer: A (LEAVE A REPLY)
A Markov chain is a series of events in which the probability of an event depends on the immediately preceding event. An example is the game of blackjack in which the probability of certain cards being dealt is dependent upon what cards have already been dealt. In the analysis of bad debts, preceding events, such as collections, credit policy changes, and write offs, affect the probabilities of future losses.

NEW QUESTION: 247
The four categories of costs associated with product quality costs are:
A. External failure, internal failure, prevention, and carrying.
B. External failure, internal failure, prevention, and appraisal.
C. External failure, internal failure, training, and appraisal.
D. Warranty, product liability, training, and appraisal.
Answer: B (LEAVE A REPLY)
Prevention costs are incurred to prevent defects. Appraisal costs are incurred to detect defective output during and after the production process. Internal failure costs are associated with defective output discovered before shipping. External failure costs are associated with defective output discovered after it has reached the customer.

NEW QUESTION: 248
Which of the following is always true regarding the use of encryption algorithms based on public key infrastructure (PKI)?
A. The private key uniquely authenticates each party to a transaction.
B. PKI's public accessibility allows it to be used readily for e-commerce.
C. The public key is authenticated against reliable third-party identification.
D. PKI uses an independent administrator to manage the public key.
Answer: (SHOW ANSWER)

NEW QUESTION: 249
During a review of a web-based application used by customers to check the status of their bank accounts, it would be most important for the internal auditor to ensure that:
A. Sensitive data, such as account numbers, are submitted using encrypted communications.
B. Account balance information is encrypted in the database.
C. Access to read application logs is restricted to authorized users.
D. The web server used to host the application is located in a physically secure area.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 250
According to MA guidance, which of the following would indicate poor change management control?
1. Low change success rate
2. Occasional planned outages
3. Low number of emergency changes.

4. Instances of unauthorized changes

A. 2 and 3

B. 1 and 3

C. 2 and 4

D. 1 and 4

Answer: (SHOW ANSWER)