BUSINESS-ENVIRONMENT-AND-CONCEPTS Q&As

Certified Public Accountant (Business Environment & Concept)

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QUESTION 1

Under the Uniform Partnership Act, which of the following statements is(are) correct regarding the effect of the assignment of an interest in a general partnership?

I. The assignee is personally responsible for the assigning partner\\'s share of past and future partnership debts.

II.

The assignee is entitled to the assigning partner\\'s interest in partnership profits and surplus on dissolution of the partnership.

A.

I only.

B.

II only.

C.

Both I and II.

D.

Neither I nor II.

Correct Answer: B

Choice "b" is correct. A partner may assign his or her interest in the partnership. The effect of such an assignment is to transfer the partner\\'s right to receive the partner\\'s share of profits or surplus only. Such an assignment does not cause dissolution or make the assignee a new partner. The assignor is still regarded as a partner and is liable for past and future partnership debts. The assignee, since he is not a partner, is not liable for past and future partnership debts. Choice "a" is incorrect. The assignee of an interest in a general partnership is not personally responsible for the assigning partner\\'s share of past and future partnership debts but is entitled to the assigning partner\\'s interest in partnership profits and surplus on dissolution of the partnership. Choice "c" is incorrect. The assignee of an interest in a general partnership is entitled to the assigning partner\\'s interest in partnership profits and surplus on dissolution of the partnership but is not personally responsible for the assigning partner\\'s share of past and future partnership debts. Choice "d" is incorrect. The assignee of an interest in a general partnership is entitled to the assigning partner\\'s interest in partnership profits and surplus on dissolution of the partnership but is not personally responsible for the assigning partner\\'s share of past and future partnership debts.

QUESTION 2

In a decision analysis situation, which one of the following costs is generally not relevant to the decision?

A. Incremental cost.

B. Avoidable cost.

C. Historical cost.

D. Opportunity cost.

Correct Answer: C

Choice "c" is correct. Historical cost is generally not relevant in a decision analysis situation. All of the following costs are relevant in a decision analysis situation:

A. Incremental cost

B. Avoidable cost

D. Opportunity cost

QUESTION 3

Strategic planning activities normally involve which of the following efforts:

I. Strategic Positioning.

II. Value Chain Analysis.

III.

Balance Scorecard Development.

A.

I.

B.

I and II.

C.

I and III.

D.

I, II, and III.

Correct Answer: D

Choice "d" is correct. Strategic planning activities are normally acknowledged to include each of three operations including: I. Strategic positioning. Strategic positioning includes the process of identifying mission, identifying overall strategy, identifying factors critical to succeeding given the assumed strategy and identifying internal and external factors that contribute or detract from achieving the strategy.

II. Value chain analysis. Value chain analysis includes the process of identifying the functional characteristics of an organization and the manner in which each one of those functions adds value to the firm\\'s customers. III. Balanced scorecard development. Development of a balanced scorecard identifies measurements of value that are both financial and non-financial to be used to monitor and evaluate performance.

Choice "a" is incorrect. All three activities are integral to strategic planning. Choice "b" is incorrect. All three activities are integral to strategic planning. Choice "c" is incorrect. All three activities are integral to strategic planning.

QUESTION 4

In evaluating a capital budget project, the use of the net present value model is generally not affected by the:

A. Method of funding the project.

B. Initial cost of the project.

C. Amount of added working capital needed for operations during the term of the project.

D. Amount of the project\\'s associated depreciation tax allowance.

Correct Answer: A

Choice "a" is correct. The method of funding the project has no effect on the net present value model. NPV uses a hurdle rate to discount cash flows. If the NPV is positive, the project is acceptable. The method of financing the project, and the cost, are independent of the process of screening the project for acceptability. Choice "b" is incorrect. The initial cost is one of the most important items in the calculation of NPV. Choice "c" is incorrect. Added working capital requirements and salvage value affect cash flow. All cash flows are used in the NPV model. Choice "d" is incorrect. The tax depreciation allowance will provide a "tax shield" or tax savings that impacts cash flow and must be considered in NPV analysis.

QUESTION 5

Management accountants are frequently asked to analyze various decision situations including the following.

I. The cost of a special device that is necessary if a special order is accepted.

II. The cost proposed annually for the plant service for the grounds at corporate headquarters.

III. Joint production costs incurred, to be considered in a sell-at-split versus a process-further decision.

IV.

The costs associated with alternative uses of plant space, to be considered in a make/buy decision.

V.

The cost of obsolete inventory acquired several years ago, to be considered in a keep-versus disposal decision.

The cost described in situation II above is a:

A. Prime cost.

B. Sunk cost.

C. Discretionary cost.

D. Relevant cost.

Correct Answer: C

Choice "c" is correct. Discretionary cost. The proposed cost for plant service for the grounds at corporate headquarters is an example of an avoidable cost that is discretionary.

Choice "a" is incorrect. Prime costs are direct materials and direct labor.

Choice "b" is incorrect. Sunk costs are costs previously incurred and not relevant.

Choice "d" is incorrect. Relevant costs are expected future costs that vary with the action taken.