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The Quiz program is designed around learning objectives, review questions and feedback, and a final test. Review questions and feedback are included to ensure cohesive learning. One hour of CPE credit is awarded per month. IMA is in the process of securing NASBA approval to reflect the 2004 NASBA regulation changes. CPAs who wish to use the quizzes for CPE credit must contact their local State Board of Accountancy. Your State Board of Accountancy is the final authority on whether this course satisfies its rules regarding CPE, so please check with it regarding the Quiz program. Some states assign formal sponsorship numbers, and IMA's state numbers are:

Illinois: 158-000574, New York: 000349,
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The quizzes qualify for continuing education credit for CMAs and CFMs in all states.

How to Participate

1. Complete the quiz form located below.
2. To obtain maximum benefit from the quiz, we recommend that you work on the review questions first and study the feedback to your response. You will not earn CPE from passing the review questions.
3. Circle your answer for each quiz question on the final test.
4. Cut out the completed final test and order form, or copy both pages and mail or fax them to IMA with complete payment information.
5. You must be an active IMA member to participate in this program.
6. If you successfully answer 70% or more of the final test questions, you will be awarded 1 CPE credit. Partial CPE credit will not be given. A letter confirming the CPE credit will be mailed to you.

IMPORTANT NOTICE TO QUIZ PARTICIPANTS

IMA has changed its quiz offering to comply with IMA and NASBA CPE guidelines. Quiz bundles are no longer being offered, and quizzes from the June 2004 issue and previous issues of *Strategic Finance* no longer qualify for CPE. Quizzes from the July 2004 through December 2004 issues do qualify for IMA CPE. For information regarding these changes, see the FAQ section on the IMA home page, www.imanet.org, or e-mail us at sfquiz@imanet.org.

STRATEGIC FINANCE SELF-STUDY QUIZ ORDER FORM

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If you are a **NEW** participant, fax to (201) 474-1632; if you are an **EXISTING** participant, fax to (201) 474-1605.



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Caution: Fraud Overhead (p. 28)

Field of Study: ACCOUNTING/AUDITING — Level: Basic
LEARNING OBJECTIVES

1. To be aware of the places where fraud can occur and where it can be hidden.
2. To appreciate the types of businesses where fraud is most prevalent.
3. To recognize the red flags of fraud in overhead accounts.

REVIEW QUESTIONS

1. The median loss per fraud scheme uncovered is greatest in:
 - a. Small firms with fewer than 100 employees.
 - b. Mid-sized firms with between 100 and 999 employees.
 - c. Large firms with between 1,000 and 9,999 employees.
 - d. Global firms with 10,000 or more employees.
2. The opportunity for fraud in mid-sized companies is exacerbated by all of the following except:
 - a. Few controls over upper-level management.
 - b. Accounting record keeping concentrated in a few hands, with little separation of duties.
 - c. Audits by small CPA firms who are not familiar with fraud symptoms.
 - d. A culture of implicit employee trust.
3. Which of the following would be considered a “lifestyle” symptom or red flag of fraud?
 - a. Managers or employees have significant personal financial pressures.
 - b. Inventory transactions are not recorded in a timely manner.
 - c. Overhead variances are increasing in frequency or size.
 - d. Management overrides internal controls related to inventory or cost of goods sold.
4. Which of the following is not one of the reasons why the overhead account is such a good place to hide fraud?
 - a. Overhead accounts are confusing to nonaccountants.
 - b. Nonaccountant owners and managers find the overhead application process to be opaque and highly technical.
 - c. Typically, there are few entries made to the overhead account.
 - d. The estimation process for overhead application makes it easy to hide a fraud.
5. A plant-wide overhead application rate:
 - a. Is preferable to departmental rates.
 - b. Results in less accurate overhead cost assignments when a variety of products are manufactured.
 - c. Is more complex than using departmental rates.
 - d. Complicates the overhead application process.

RCA at Clopay (p. 20)

Field of Study: MANAGERIAL ACCOUNTING
Level: Basic

LEARNING OBJECTIVES

1. To appreciate the advantages offered by resource consumption accounting.
2. To understand the underlying components of resource consumption accounting.
3. To recognize the impact on product costing that can occur when a causal-based costing system is used.

REVIEW QUESTIONS

1. The acronym RCA, as used in this article, stands for what phrase?
 - a. Radio Corporation of America.
 - b. Recycled Consumption Accounting.
 - c. Resource Consumption Accounting.
 - d. Readiness, Connectivity, and Accounting.
2. Before adopting RCA, Clopay used what type of costing system?
 - a. Activity-based costing.
 - b. Standard costing system.
 - c. Actual costing system.
 - d. Job-order system.
3. Which was not one of the major problems with Clopay’s former costing system?
 - a. Changes in other, unrelated areas of production could cause changes to a product’s cost.
 - b. Depreciation allocation was based on financial accounting.
 - c. The full-absorption method created the potential for fixed-cost death spiral effects.
 - d. The contribution-margin reporting system caused management to overlook inventory buildup.
4. Clopay learned about the RCA system from:
 - a. The RCA division of General Electric Corporation.
 - b. The Institute of Management Accountants (IMA).
 - c. Consortium for Advanced Manufacturing-International (CAM-I).
 - d. The German Institute of Chartered Accountants (GICA).
5. The pilot application of RCA at Clopay was particularly beneficial for analyzing:
 - a. Information technology costs.
 - b. Batch-related costs, such as setups.
 - c. Corporate-level costs.
 - d. Product-support costs.

Caution: Fraud Overhead (p. 28)**Field of Study: ACCOUNTING/AUDITING — Level: Basic**

1.
 - a. Incorrect. Although small firms have substantial losses (\$127,500 per fraud), the losses are greater in mid-sized firms.
 - b. Correct. Losses are the greatest in mid-sized firms, with the median being \$135,000 per fraud uncovered.
 - c. Incorrect. Contrary to intuition, large firms do not have larger losses than small firms. The median loss in large firms is only \$53,000, according to the Association of Certified Fraud Examiners.
 - d. Incorrect. Contrary to intuition, global firms' losses are not as great as those of mid-sized firms, with losses amounting to only \$97,000 per fraud event.
2.
 - a. Incorrect. As companies grow from small to mid-sized, there are few controls over the actions of top management.
 - b. Incorrect. The accounting staff typically does not grow as the company grows.
 - c. Correct. Mid-sized firms typically do not have external audits since they are not publicly traded and not required to have such audits.
 - d. Incorrect. A culture of implicit employee trust typically carries over from the days when the firm was small.
3.
 - a. Correct. Significant financial pressures on employees would be classified as a lifestyle symptom of fraud.
 - b. Incorrect. Untimely recording would be an accounting symptom.
 - c. Incorrect. Increasing variances would be an accounting symptom.
 - d. Incorrect. Management override of controls would be classified as a control symptom.
4.
 - a. Incorrect. Overhead accounts are typically confusing to nonaccountants since the overhead application process includes estimation, overhead application rates, and many different types of costs—some of which require cash outlays and some of which don't.
 - b. Incorrect. Nonaccountants typically find the overhead application process to be opaque and highly technical.
 - c. Correct. There are many entries to the overhead accounts, thus making it easier to hide a fraudulent transaction.
 - d. Incorrect. The estimation process does imply some variances will occur and thus makes a fraudulent transaction less obvious.
5.
 - a. Incorrect. Departmental rates are preferable to plant-wide rates because the multiple rates give better answers when multiple products are manufactured.
 - b. Correct. Plant-wide rates are less accurate than departmental rates when multiple products are produced.
 - c. Incorrect. The use of department rates is more complex; that is why many companies use plant-wide rates even though the plant-wide rates provide less accurate costing figures.

- d. Incorrect. Departmental rates complicate the overhead application process because multiple rates have to be considered. The advantage of plant-wide rates is that they are not complicated.

RCA at Clopay (p. 20)**Field of Study: MANAGERIAL ACCOUNTING
Level: Basic**

1.
 - a. Incorrect. RCA stands for Resource Consumption Accounting.
 - b. Incorrect. RCA stands for Resource Consumption Accounting.
 - c. Correct. RCA stands for Resource Consumption Accounting.
 - d. Incorrect. RCA stands for Resource Consumption Accounting.
2.
 - a. Incorrect. Clopay used a traditional standard costing system based on planned machine hours and sales in pounds.
 - b. Correct. A standard costing system was used.
 - c. Incorrect. Clopay used a traditional standard costing system based on planned machine hours and sales in pounds.
 - d. Incorrect. Clopay used a traditional process-based (not job-order) standard costing system based on planned machine hours and sales in pounds.
3.
 - a. Incorrect. This was one of the major problems of the old system.
 - b. Incorrect. This was one of the major problems of the old system.
 - c. Incorrect. This was one of the major problems of the old system.
 - d. Correct. The company did not use a contribution-margin reporting system; it used an absorption system.
4.
 - a. Incorrect. CAM-I was the source of the information.
 - b. Incorrect. CAM-I was the source of the information.
 - c. Correct. The CAM-I RCA Interest Group was the source of the information.
 - d. Incorrect. This is a nonsense answer. CAM-I was the source of the information.
5.
 - a. Incorrect. The pilot program at Clopay did not consider information technology costs.
 - b. Incorrect. The pilot program at Clopay did not consider batch-related costs.
 - c. Incorrect. The pilot program at Clopay did not consider corporate-level costs.
 - d. Correct. Product-support costs were the main target of the pilot program.

Please circle your answer for each question

Caution: Fraud Overhead (p. 28)

Field of Study: ACCOUNTING/AUDITING — Level: Basic

1. The median loss per fraud scheme uncovered is lowest in:
 - a. Small firms with fewer than 100 employees.
 - b. Mid-sized firms with between 100 and 999 employees.
 - c. Large firms with between 1,000 and 9,999 employees.
 - d. Global firms with 10,000 or more employees.
2. The opportunity for fraud in mid-sized companies is exacerbated by all of the following except:
 - a. Lack of an external audit.
 - b. Close oversight by upper-level management.
 - c. Owners with little or no accounting knowledge.
 - d. Relatively large overhead accounts where fraudulent expenses can be hidden.
3. All of the following would help explain why the median fraud losses are lower in large firms than in small and mid-sized firms except for the fact that:
 - a. Large firms have better internal controls.
 - b. Large firms have an annual external audit.
 - c. Small and mid-sized firms have minimal separation of accounting duties.
 - d. Large-firm owners are more involved in executive management.
4. Which of the following types of firms are most apt to have an internal audit function?
 - a. Small firms.
 - b. Mid-sized firms.
 - c. Large firms.
 - d. Global firms.
5. All of the following are important aspects of reducing fraud in the recording of overhead transactions except:
 - a. All adjusting entries to overhead accounts should be reviewed by an independent member of management.
 - b. Significant overhead variances should be analyzed both within and across time periods to identify anomalies.
 - c. The roles of product costing and payroll preparation should be combined.
 - d. When a company has multiple products, a departmental or activity-based costing system should be used as opposed to using plant-wide rates.

RCA at Clopay (p. 20)

**Field of Study: MANAGERIAL ACCOUNTING
Level: Basic**

1. Which of the following statements is false with respect to Resource Consumption Accounting (RCA)?

- a. RCA recognizes multiple and reciprocal relationships.
 - b. RCA provides a framework for capacity management.
 - c. RCA attempts to include all attributable costs in cost assignment.
 - d. RCA is rooted in Japanese cost management principles.
2. Which of the following statements is false with respect to Resource Consumption Accounting (RCA)?
 - a. RCA assigns costs based on causality.
 - b. RCA assigns all costs on the basis of activity drivers.
 - c. In cost assignment, RCA excludes fixed costs that can't be traced based on causality, such as those costs due to idle capacity.
 - d. RCA can use theoretical capacity for denominator volume.
 3. The conclusions of the RCA cost analysis at Clopay included all of the following except:
 - a. There were average total product cost changes of 14%.
 - b. Over 10% of the products did not cover their proportional costs.
 - c. Some individual product costs changed by over 200%.
 - d. Over 90% of the products were previously being undercosted.
 4. The changes that Clopay recognized as a result of the pilot adoption of RCA included all of the following except:
 - a. Unit costs changed due to recognition of causal relationships in the assignment of support costs.
 - b. There were additional costs because of using replacement cost depreciation.
 - c. There were lower costs because of using theoretical capacity as the denominator volume in cost assignment.
 - d. Unit costs uniformly increased because of the new method.
 5. Which of the following statements is false with respect to the results of the RCA program at Clopay?
 - a. Clopay experienced a major shift from treating certain costs as fixed when their inherent nature suggested they were proportional costs.
 - b. Quality Assurance costs were recategorized from fixed costs to proportional costs.
 - c. Idle capacity costs need to be assigned to products.
 - d. The use of replacement cost depreciation reduces the tendency for cost distortion between lines that use new vs. old machines.

I have read the articles in *Strategic Finance* upon which the questions are based and have personally prepared the answers without the assistance of any other person.

Signature _____

Date _____

Print Name _____

Member Number _____