

**ANNOUNCEMENT:** The *Strategic Finance* Self-Study Quiz is a program in which financial professionals can earn CPE credits for passing a test based on what they have learned about various topics from reading certain magazine articles. Two cutting-edge topics are presented each month that will provide the basis for a useful educational experience for finance and management accounting professionals and help them enhance their skills. Topics focus on Management, Accounting, Auditing, Consulting Services, Ethics, Taxation, and much more. Most of the authors of these topics are certified financial professionals.

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,  
Texas: 00028



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

### Quizzes offered in the June 2004 and previous issues of *Strategic Finance* no longer qualify for CPE.

IMA members may submit quizzes from the July 2004 through December 2004 issues for IMA-qualified CPE. All quiz submissions must be postmarked by December 31, 2004, however, as the paper quiz program will be discontinued as of January 2005. Look for an announcement in the December issue of *Strategic Finance* regarding online CPE programs!

## STRATEGIC FINANCE SELF-STUDY QUIZ ORDER FORM

IMA Member No. \_\_\_\_\_

First Name \_\_\_\_\_ Last Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Telephone \_\_\_\_\_ E-Mail \_\_\_\_\_

Current *Strategic Finance* Quiz Participant:  Yes  No

New *Strategic Finance* Quiz Participant (Check the following):

Monthly – \$19.00

**Completed quiz with payment must be postmarked by December 31, 2004.**

Payment Method: Payments must be in U.S. dollars **Total: \$** \_\_\_\_\_

Check – Make payable to: Institute of Management Accountants, Inc.

Charge my credit card:  AMEX  Discover  Mastercard  Visa

Credit Card Number: \_\_\_\_\_ Expiration Date (MM/YY): \_\_\_\_\_

Signature of Cardholder \_\_\_\_\_

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

**NOTE:**

Must be an active IMA member to participate.



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**Learning from the IMA's... (p. 44)**

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

1. To be aware of the content of the IMA's Standards of Ethical Conduct.
2. To appreciate how the IMA Standards apply in particular cases.
3. To understand what can be done to improve the profession's ethical image.

**REVIEW QUESTIONS**

1. Which of the following is not one of the four general areas of IMA's Standards of Ethical Conduct?
  - a. Competence.
  - b. Confidentiality.
  - c. Integrity.
  - d. Accuracy.
2. An IMA member who fails to perform professional duties in compliance with relevant professional standards is violating which of the following general areas of the IMA Standards of Ethical Conduct?
  - a. Competency.
  - b. Confidentiality.
  - c. Integrity.
  - d. Accuracy.
3. The IMA Standards of Ethical Conduct include an integrity standard that requires members to:
  - a. Refuse gifts from anyone.
  - b. Recognize and communicate professional limitations that would preclude responsible judgment or successful performance of an activity.
  - c. Report all relevant information that could influence users of financial statements.
  - d. Disclose confidential information when authorized by their firm or required under the law.
4. Which principle of IMA's Standards of Ethical Conduct is violated if a member knows of a problem that could mislead users but does nothing about it?
  - a. Competence.
  - b. Accuracy.
  - c. Legality.
  - d. Objectivity.
5. IMA's Standards of Ethical Conduct include a competence standard that requires members to:
  - a. Maintain an appropriate level of professional competence by ongoing development of professional knowledge and skills.
  - b. Communicate information fairly and objectively.
  - c. Communicate unfavorable as well as favorable information.
  - d. Refrain from disclosing confidential information acquired in the course of their work except when legally obligated to do so.

**Pay for Performance... (p. 24)**

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

1. To understand what a performance accountability system is.
2. To understand the importance of aligning operational goals with financial objectives in the development of a

performance accountability system.

3. To be able to implement an integrated, systematic approach to performance measurement.

**REVIEW QUESTIONS**

1. The Blue Cross (BCBSLA) objectives for reviewing the company's executive pay and performance practices to make recommended changes to the way the organization was managed included all of the following reasons except:
  - a. Aligning the system with BCBSLA's strategic directions.
  - b. Driving desired business results.
  - c. Ensuring that BCBSLA's programs are industry standard in design.
  - d. Ensuring that BCBSLA's costs are below the industry average.
2. Which of the following is not one of the six guiding principles of the performance and rewards strategy suggested by BCBSLA's consultant?
  - a. Pay prominence, defined as the extent to which compensation should influence employee actions and decisions.
  - b. Competitive framework, defined as criteria for choosing companies used for pay and performance comparisons.
  - c. Competitive positioning, defined as target pay levels relative to the defined peer group and the mix of compensation elements, including salary and performance incentives.
  - d. Sustained ability to attract, retain, and motivate executives.
3. BCBSLA's strategy for a new performance-driven culture called for all of the following except:
  - a. Clearer expectations for individual contribution.
  - b. A realignment of personnel.
  - c. Greater accountability for performance against expectations.
  - d. Greater differentiation in performance assessments and rewards.
4. Which statement is false in regard to a PAS?
  - a. There should be an individual incentive opportunity for top performers.
  - b. There should be broad salary ranges with midpoints benchmarked to the competitive market median.
  - c. There should be narrow salary ranges with the top of each range benchmarked to the competitive market median.
  - d. There should be strong and clearly defined linkages among performance management, compensation, and consequences.
5. Which of the following is not one of the components of the annual PAS process at BCBSLA?
  - a. Determine corporate goals and performance levels.
  - b. Engage in divisional objective setting.
  - c. Manage, communicate, and reward performance.
  - d. Identify strategic competencies of employees.

Learning from the IMA's... (p. 44)

**Field of Study: ACCOUNTING/AUDITING — Level: Basic**

1.
  - a. Incorrect. This is one of the four general areas of the IMA Standards of Ethical Conduct.
  - b. Incorrect. This is one of the four general areas of the IMA Standards of Ethical Conduct.
  - c. Incorrect. This is one of the four general areas of the IMA Standards of Ethical Conduct.
  - d. Correct. The four general areas of the IMA Standards of Ethical Conduct are competence, confidentiality, integrity, and objectivity.
2.
  - a. Correct. Competency includes being able to perform professional duties in accordance with relevant laws, regulations, and technical standards.
  - b. Incorrect. Failure to follow professional standards is a violation of the competency provisions of the IMA Standards of Ethical Conduct.
  - c. Incorrect. Failure to follow professional standards is a violation of the competency provisions of the IMA Standards of Ethical Conduct.
  - d. Incorrect. Failure to follow professional standards is a violation of the competency provisions of the IMA Standards of Ethical Conduct.
3.
  - a. Incorrect. The integrity standard requires the accountant to refuse any gift, favor, or hospitality that would influence or would appear to influence his or her actions. Not all gifts must be refused.
  - b. Correct. The accountant should recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
  - c. Incorrect. This is an objectivity standard, not an integrity standard.
  - d. Incorrect. This is a confidentiality standard, not an integrity standard.
4.
  - a. Incorrect. Failure to fully disclose information falls under the category of objectivity, not competence.
  - b. Incorrect. Accuracy is not one of the general areas of the IMA Standards of Ethical Conduct.
  - c. Incorrect. Legality is not one of the general areas of the IMA Standards of Ethical Conduct.
  - d. Correct. The objectivity section of the Standards includes a provision that the accountant should disclose fully all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.
5.
  - a. Correct. The competence standard requires members to maintain competence by ongoing professional development.
  - b. Incorrect. This is an objectivity standard, not a competence standard.

- c. Incorrect. This is an integrity standard, not a competence standard.
- d. Incorrect. This is a confidentiality standard, not a competence standard.

Pay for Performance... (p. 24)

**Field of Study: ACCOUNTING/AUDITING—Level: Basic**

1.
  - a. Incorrect. This was one of the objectives of the review.
  - b. Incorrect. This was one of the objectives of the review.
  - c. Incorrect. This was one of the objectives of the review.
  - d. Correct. The objective was for costs to be consistent with performance without mention of their relationship to the industry average.
2.
  - a. Incorrect. This was one of the principles suggested by the consultant.
  - b. Incorrect. This was one of the principles suggested by the consultant.
  - c. Incorrect. This was one of the principles suggested by the consultant.
  - d. Correct. This was not one of the six recommendations. It was one of the organization's objectives in hiring the consultant and implementing a new system of pay for performance.
3.
  - a. Incorrect. This was one of the changes recommended to create the new culture.
  - b. Correct. Nothing was identified relative to a changed culture needing a realignment of personnel.
  - c. Incorrect. This was one of the changes recommended to create the new culture.
  - d. Incorrect. This was one of the changes recommended to create the new culture.
4.
  - a. Incorrect. This is a true statement about a performance accountability system.
  - b. Incorrect. This is a true statement about a performance accountability system.
  - c. Correct. This statement is false. Ranges should be broad with the midpoint benchmarked to the competitive market median.
  - d. Incorrect. This is a true statement about a performance accountability system.
5.
  - a. Incorrect. This is one of the components of the annual performance accountability system.
  - b. Incorrect. This is one of the components of the annual performance accountability system.
  - c. Incorrect. This is one of the components of the annual performance accountability system.
  - d. Correct. This is something the organization should address while formulating the new system. It is not a part of the annual process.

Please circle your answer for each question

**Learning from the IMA's... (p. 44)**

**Field of Study: ACCOUNTING/AUDITING — Level: Basic**

1. Qwest's accounting treatment of swap agreements was a violation of which standard of the IMA's Standards of Ethical Conduct?
  - a. Competence standard.
  - b. Confidentiality standard.
  - c. Relevant laws.
  - d. Objectivity standard.
2. Under what situation is a member permitted to communicate confidential information to individuals outside his/her firm?
  - a. When the president has refused to take action.
  - b. When such communication is legally required.
  - c. When the information is communicated indirectly.
  - d. When such communication will not benefit the member.
3. One of the provisions of the IMA Standards of Ethical Conduct is that an accountant should refrain from engaging in any activity that would discredit the profession. Which of the following instances was an example of such a violation?
  - a. The WorldCom CFO requesting subordinates to report better performance than actually occurred.
  - b. Qwest's treatment of swap agreements.
  - c. Global Crossing's treatment of swap agreements.
  - d. The Tyco CEO's treatment of taxes on purchase of art.
4. IMA's Standards of Ethical Conduct require members to:
  - a. Not condone violations by others in their company.
  - b. Obtain sufficient competent evidential matter when expressing an opinion on financial statements.
  - c. Comply with generally accepted auditing standards.
  - d. Not accept gifts from anyone.
5. IMA's Standards of Ethical Conduct include an integrity section. Integrity, as described in the Standards, includes:
  - a. Avoiding conflicts of interest.
  - b. Not encroaching on the practice of another management accountant.
  - c. Performing professional duties in accordance with applicable laws and regulations.
  - d. Maintaining professional competence.

**Pay for Performance... (p. 24)**

**Field of Study: ACCOUNTING/AUDITING—Level: Basic**

6. BCBSLA's consultant suggested a performance and rewards strategy that addressed six principles to guide the development and management of executive pay and performance

programs. Which of the following was not included among those principles?

- a. Pay prominence, defined as the extent to which compensation should influence employee actions and decisions.
  - b. Performance measurement and goal setting, defined as the type of performance measures, organizational levels, time frame, standards, and type of measures associated with performance.
  - c. Career development, defined as the importance and opportunity for career growth within the organization.
  - d. Alignment of the system, defined as the relationship between BCBSLA's strategic directions and the desired business results.
7. The effort at BCBSLA to translate strategy into financial and operational requirements used what type of models to evaluate and demonstrate the drivers of the business?
    - a. Cost-Volume-Profit (CVP) models.
    - b. Value tree models.
    - c. Queueing-theory models.
    - d. Variance analysis.
  8. Which of the following is not a component of the annual performance accountability system process at BCBSLA?
    - a. Communicate division objectives, and engage employees in expectation setting.
    - b. Identify operating goals.
    - c. Communicate goals and measures.
    - d. Ensure that programs are industry standard in design.
  9. The performance accountability system at BCBSLA focused on answering five critical questions. Which of the following was not one of those questions?
    - a. How is the market changing?
    - b. How will our business change?
    - c. What's expected of me?
    - d. How will the competition react?
  10. The final element of the performance accountability system at BCBSLA dealt with the rewards and consequences of performance. Which of the following was a component of the "What's in it for me?" question?
    - a. Bonuses based on the company's performance against primarily financial results.
    - b. All leadership employees awarded similar-sized bonuses.
    - c. No variability in bonuses between employees.
    - d. Job enrichment.

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 \_\_\_\_\_