

Ch13

Student: _____

1. Control is a managerial necessity.
True False
2. Market control is the use of rules, regulations and formal authority to guide performance.
True False
3. Clan control assumes that the interests of the organization and individuals naturally diverge.
True False
4. Standards are established in order to set performance expectations.
True False
5. Performance standards can be set with respect to quantity, quality, time and effort.
True False
6. According to the principle of exception, any deviation from the goal requires corrective action.
True False
7. Personal observation involves going to the area of activity and watching what is occurring.
True False
8. The last step in the control process is to compare performance with the standard.
True False
9. When supervisors monitor employee behavior, they are exercising feedback control.
True False
10. By definition, management audits are internal, not external.
True False
11. External audits are often used for feedback control but can also be useful for preliminary control.
True False
12. Budgeting information is always expressed in monetary units.
True False
13. A master budget includes every activity of the business.
True False
14. Traditional methods of accounting such as activity-based costing are still appropriate today.
True False
15. A control system cannot be effective without consideration of how people will react to it.
True False
16. Bureaucratic control has a perceived negative connotation.
True False
17. If an employee does not believe his or her performance standard is realistic, he or she is not likely to accept the standard.
True False
18. Formal bureaucratic control systems have always been the most pervasive and the most effective in organizations.
True False

19. In contrast to market controls, bureaucratic controls involve the use of economic forces to regulate performance.
True False
20. In large diversified companies, market controls are often used to regulate independent business units.
True False
21. Ideally the transfer price should reflect less than the price that the receiving business unit would have to pay for that product/service in the marketplace.
True False
22. Increasingly, managers are discovering that control systems based solely on bureaucratic and market mechanisms are insufficient for directing today's workforce.
True False
23. Organization culture is the foundation of clan control.
True False
24. Control has been called one of the Siamese twins of management. The other twin is
A. planning.
B. organizing.
C. leading.
D. directing.
E. empowerment.
25. Which of the following is a symptom of an out-of-control company?
A. Strict top management
B. Excessive policies
C. Lack of periodic reviews
D. Bad communication systems
E. Lack of cohesiveness in the culture
26. Any process that directs the activities of individuals toward achieving organizational goals is
A. planning.
B. control.
C. directing.
D. budgeting.
E. clan control.
27. The use of rules, regulations and authority to guide performance is referred to as
A. clan control.
B. bureaucratic control.
C. market control.
D. concurrent control.
E. feedback control.
28. Control based on the use of pricing mechanisms and economic information is referred to as
A. clan control.
B. feedback control.
C. market control.
D. feedforward control.
E. bureaucratic control.
29. Bureaucratic control deals with
A. rules and regulations.
B. market forces.
C. economic forces.
D. pricing mechanisms.
E. social norms.

30. Using budgeting, statistical reports and performance appraisals to regulate behavior and results are all considered components of
- clan control.
 - market control.
 - bureaucratic control.
 - financial audits.
 - management audits.
31. Control based on the norms, values, shared goals and trust among group members is referred to as
- clan control.
 - feedback control.
 - concurrent control.
 - feedforward control.
 - market control.
32. Which of the following is the third major step in the formal control process?
- Comparing performance with standards
 - Setting standards
 - Taking corrective action
 - Revising standards
 - Measuring performance
33. The last step in the control process is
- taking corrective action.
 - setting performance standards.
 - measuring performance.
 - comparing performance.
 - determining deviations.
34. The level of expected performance for a given goal; a target that establishes a desired performance level, motivates performance and serves as a benchmark against which actual performance is assessed is referred to as a(n)
- goal.
 - measurement.
 - standard.
 - control process.
 - audit.
35. Performance standards can be set with respect to which of the following?
- Quantity, quality, and temperament
 - Quality, temperament and cost
 - Cost, quality and functionality
 - Quality, time used and quantity
 - Time used, quality, functionality
36. Where are performance data commonly obtained?
- Oral and written reports and personal observation
 - Supervisors, written reports and personal observation
 - Top, middle and lower management
 - Competitors, oral reports and upper management
 - Technical analysts from outside the company

37. Jennifer Saxton is in charge of production at Nanosystems, Inc. Part of her job is to be sure that the parts produced are extremely accurate; in fact, it is important that they are perfectly produced as they are used in medical devices. When Jennifer concentrates on the significant deviations from established standards, she is using
- A. unreasonable control.
 - B. the principle of deviation.
 - C. inefficient control.
 - D. the principle of exception.
 - E. behavioral standards.
38. A managerial principle stating that control is enhanced by concentrating on the exceptions or significant deviations from the expected result or standard is referred to as
- A. the principle of control.
 - B. a management audit.
 - C. management myopia.
 - D. the principle of exception.
 - E. control stages.
39. The control process used while plans are being carried out, including directing, monitoring and fine-tuning activities as they are performed is referred to as
- A. feedforward control.
 - B. concurrent control.
 - C. feedback control.
 - D. budgeting.
 - E. market control.
40. Which type of control takes place while plans are being carried out?
- A. Feedback control
 - B. Specialist control
 - C. Preliminary control
 - D. Feedforward control
 - E. Concurrent control
41. At Precision Instruments, it was recently announced that all assembly workers are to arrive 15 minutes early for their shift in order to be outfitted in specialized gear that will reduce minute particles from the environment from entering products that are being assembled. Products are then assembled in a controlled environment. This requirement reflects _____ control.
- A. feedback
 - B. specialist
 - C. feedforward
 - D. operator
 - E. concurrent
42. Which type of control is future oriented?
- A. Feedback control
 - B. Specialist control
 - C. Feedforward control
 - D. Operator control
 - E. Concurrent control
43. Electronic monitoring of telemarketers' conversations with potential clients is an example of _____ control.
- A. operator
 - B. concurrent
 - C. preliminary
 - D. technological
 - E. feedback

44. Advances in information technology have created powerful
- feedback controls.
 - auditing capabilities.
 - market controls.
 - concurrent controls.
 - organization links.
45. Control that focuses on the use of information about previous results to correct deviations from the acceptable standard is referred to as
- feedforward control.
 - quality control.
 - feedback control.
 - audit control.
 - performance control.
46. Which of the following statements is true regarding Six Sigma?
- The system was developed by GE.
 - It is designed to choose the correct organizational process for the job.
 - The lower the sigma number, the lower the level of defects.
 - It indicates how often defects in a process are likely to occur.
 - Six Sigma always improves the bottom line.
47. The Six Sigma approach is based on _____ analyses that contribute to _____.
- statistical, increased customer base
 - budgetary, customer satisfaction
 - strategic analysis, customer satisfaction
 - statistical, customer satisfaction
 - strategic analysis, increased customer base
48. Managers conduct _____ audits of other companies and _____ audits of their own company.
- financial, legal and ethical
 - external, internal
 - SWOT, Six Sigma
 - internal, external
 - customer, financial
49. An evaluation of the effectiveness and efficiency of various systems within an organization is called a(n)
- internal audit.
 - management audit.
 - external audit.
 - budget audit.
 - Six Sigma analysis.
50. External audits can be used for which of the following?
- Evaluating financial stability
 - Evaluating production efficiency
 - Evaluating sales effectiveness
 - Identifying possible mergers or acquisitions
 - Identifying earnings potential
51. Assessing your own company's planning, organizing, leading and controlling efforts is the essential function of
- strategic audits
 - feedforward control
 - feedback control
 - external audits
 - internal audits

52. A firm conducting an internal audit would assess
- A. its own financial stability.
 - B. suppliers.
 - C. potential partners.
 - D. potential merger targets.
 - E. potential acquisitions.
53. An evaluation conducted by one organization of another organization is referred to as a(n)
- A. external audit.
 - B. management audit.
 - C. internal audit.
 - D. accounting audit.
 - E. budget audit.
54. The process of investigating what is being done and comparing the results with the corresponding budget data to verify accomplishments or remedy differences is referred to as
- A. activity-based costing (ABC).
 - B. accounting audits.
 - C. budgetary control.
 - D. financial audits.
 - E. management audits.
55. Which of the following is the second stage in budgetary control?
- A. Responding appropriately
 - B. Budgetary operations
 - C. Comparing Six Sigma data
 - D. Establishing expectancies
 - E. Accounting audit
56. Which of the following is the budget used for areas of the organization that incur expenses but no revenue?
- A. Sales budget
 - B. Production budget
 - C. Cost budget
 - D. Cash budget
 - E. Master budget
57. Katrina Calocia is a financial manager at Flavors, Inc., a lollipop manufacturer. One of her duties as manager is to provide a budget that shows the anticipated receipts and expenditures of her company. The budget also shows the amount of working capital available and the extent to which outside financing may be required. Katrina produces this budget after all other budget estimates are complete. Which type of budget is Katrina currently working on?
- A. Master budget
 - B. Cash budget
 - C. Cost production budget
 - D. Production budget
 - E. Sales budget
58. Procedures used to verify accounting reports and statements are referred to as a(n)
- A. management audits.
 - B. accounting audits.
 - C. activity-based costing (ABC).
 - D. financial analysis.
 - E. budget audit.

59. AllMax Enterprises has begun a new system of allocating costs according to what their employees do, rather than what the company spends. For example, labor expenses are allocated to employee tasks rather than salary and benefits. This practice is referred to as
- cost accounting.
 - accounting auditing.
 - task accounting.
 - activity-based costing.
 - allocation costing.
60. An itemized financial statement of the income and the expenses of a company's operations is called the
- income and expense statement.
 - balance sheet.
 - cash flow statement.
 - assets and liabilities statement.
 - profit and loss statement.
61. The balance sheet shows
- annual profit.
 - potential profit.
 - relative labor costs.
 - a financial picture of a company at a given time.
 - a company's performance over time.
62. Which of the following are the basic elements of a balance sheet?
- income, expenses, profit/loss
 - operations, sales, growth
 - assets, liabilities, owner's equity
 - income, deductions, taxes
 - budgets, controls, plans
63. Liquidity ratios
- indicate the company's ability to pay short-term debts.
 - include current ratios and debt-equity ratios.
 - indicate management's ability to generate a financial return on sales or investment.
 - include profitability and turnover ratios.
 - indicate the company's ability to pay long-term debts.
64. Chun-Mei has just reviewed a number of indicators of financial control. The one that troubles her indicates that the company may have trouble meeting its short-term financial obligations. Chun-Mei is concerned about
- the profit and loss statement.
 - the profitability ratio.
 - a leverage ratio.
 - the current ratio.
 - the return on investment ratio.
65. The most common liquidity ratio is current assets to current liabilities, which is also called the
- debt-equity ratio.
 - current ratio.
 - profit loss ratio.
 - return on investment ratio.
 - stockholders' equity ratio.

66. A report that shows the financial picture of a company at a given time and itemizes assets, liabilities and stockholders' equity is referred to as a (n)
- profit and loss statement.
 - balance sheet.
 - expense report.
 - income statement.
 - budget report.
67. The values of the various items the corporation owns are referred to as
- liabilities.
 - owner's equity.
 - debt-equity ratio.
 - assets.
 - cost of goods.
68. The amounts a corporation owes to creditors are referred to as
- liabilities.
 - assets.
 - stockholders' equity.
 - leverage.
 - ROI.
69. The amount accruing to the corporation's owners is referred to as
- liabilities.
 - interest expense.
 - assets.
 - stockholders' equity.
 - ROI.
70. An itemized financial statement of the income and expenses of a company's operations is referred to as the
- statement of cash flow.
 - profit and loss statement.
 - balance sheet.
 - expense report.
 - financial ratio statement.
71. A liquidity ratio that indicates the extent to which short-term assets can decline and still be adequate to pay short-term liabilities is referred to as the
- current ratio.
 - return on investment (ROI).
 - debt-equity ratio.
 - leverage ratio.
 - profitability ratio.
72. Leverage ratios
- show the relative amount of funds in the business supplied by creditors and shareholders.
 - indicate a company's ability to pay short-term debts.
 - indicate management's ability to generate a financial return on sales or investment.
 - show the profit margins for the last six months.
 - indicate the future profits from the current customer base.
73. Profitability ratios
- show the relative amount of funds in the business supplied by creditors and shareholders.
 - indicate a company's ability to pay short-term debts.
 - indicate management's ability to generate a financial return on sales or investment.
 - show the profit margins for the last six months.
 - indicate the future profits from the current customer base.

74. "Management myopia" is a condition that refers to
- A. manager lacking motivation to reach their performance targets and in turn find it difficult to motivate subordinates.
 - B. managers limiting their focus to short-term profits at the expense of longer-term concerns.
 - C. managers who find themselves unable to rise beyond a certain level in the organizational hierarchy.
 - D. managers being promoted to their "level of incompetence."
 - E. managers finding they cannot progress within an organization due to corporate downsizing/paring of middle management layers.
75. A ratio of profit to capital used or a rate of return from capital is referred to as
- A. the debt-equity ratio.
 - B. the profitability ratio.
 - C. return on investment (ROI).
 - D. the liquidity ratio.
 - E. the leverage ratio.
76. Bureaucratic controls often results in
- A. inflexible behavior.
 - B. quick reaction times.
 - C. strong cultures.
 - D. open communication.
 - E. corporate agility.
77. When a control system prompts employees to do only tasks required in their formal job descriptions, it is causing
- A. excessive subordination.
 - B. tactical behaviors.
 - C. rigid bureaucratic behaviors.
 - D. resistance to supervision.
 - E. resistance to change.
78. When employees feel forced to attempt to "beat the system" their behavior might be classified as
- A. rigidly bureaucratic.
 - B. tactical.
 - C. resisting.
 - D. defensive.
 - E. myopic.
79. Carlos was new to his organization but quickly noticed a pattern at the annual budgeting session. Mid-level managers were asking for unrealistically high budgets while top management was attempting to require budgets under last year's actual expenditures. The management's strategies are referred to as
- A. budget breakdowns.
 - B. bureaucratic budgeting.
 - C. budget resistance.
 - D. tactical behaviors.
 - E. rigid behaviors.
80. Employees resist formal control systems for which of the following reasons?
- A. Control systems can change the power structure of the organization.
 - B. Control systems make employees less accountable for their performance.
 - C. Control systems maintain individuals' expertise.
 - D. Control systems insure employees' security.
 - E. Control systems require cooperation between employees.

81. To be effective, control systems must
- A. be based on subjective standards.
 - B. communicate needed information upward in the organization.
 - C. be acceptable to top stockholders.
 - D. use multiple control approaches.
 - E. centralize decision making.
82. In order to gain employee acceptance of useful performance standards, a manager can
- A. set standards that employees view as possible to achieve.
 - B. set standards low enough that all employees can easily meet them.
 - C. tell employees that you might not use the standards.
 - D. focus on controlling negative behavior.
 - E. let employees know that you take your own performance measures.
83. Casinos control card dealers by using multiple controls. Which of the following would be the most correct tool used as one of the multiple controls?
- A. Requiring dealers to have a driver's license before being hired
 - B. Using closed-circuit cameras, two way mirrors and direct supervision
 - C. Requiring detailed paperwork to audit the transfer of shifts
 - D. Requiring employees to be searched before they leave the premises
 - E. Requiring dealers to empty their pockets before beginning work
84. Market controls involve
- A. the use of rules and regulations.
 - B. the use of economic standards.
 - C. the use of authority.
 - D. the use of sales and variable costs levels.
 - E. the use of norms.
85. The use of market control mechanisms has been criticized by those who believe that
- A. they rely too heavily on rules and procedures.
 - B. economic measures do not adequately reflect the complete value of an organization.
 - C. they are too dependent on the organizational culture.
 - D. economic measures are the only reflection of the complete value of an organization.
 - E. decision making and power are too centralized when they are in use.
86. The price charged by one unit of an organization that supplies to another unit in the same organization is referred to as a(n)
- A. substitute price.
 - B. transfer price.
 - C. department price.
 - D. organizational price.
 - E. budget price.
87. Traditionally, boards have tried to control CEO performance mainly through
- A. salary schedules.
 - B. bonuses tied to productivity.
 - C. perks.
 - D. incentive pay.
 - E. bonuses tied to long-term profit targets.
88. The increasing need for clan control is caused by
- A. changes in the employment relationship.
 - B. changes in the economics of work.
 - C. changes in government regulations.
 - D. employees lack of interest in corporate decisions.
 - E. employees are becoming too empowered.

89. Empowerment is important in organizations today because
- A. the nature of management has changed.
 - B. employees' jobs have become less challenging.
 - C. employees are more concerned about pay.
 - D. labor unions are growing.
 - E. of the increasing role of technology.
90. The textbook equates the effective use of clan control with
- A. reduced bureaucracy.
 - B. enhanced vertical communication.
 - C. empowerment.
 - D. job security.
 - E. strong corporate culture.
91. Control that is based on the idea that employees may share the values, expectations and goals of the organization and act in accordance with them is called
- A. empowerment.
 - B. authority control.
 - C. bureaucratic control.
 - D. cultural control.
 - E. clan control.
92. Which of the following is a guideline provided by your text for managing in an empowered setting?
- A. Put control where the best people are
 - B. Build on trust
 - C. Use reactive controls
 - D. Base control on company norms
 - E. Reinforce responsiveness and teamwork
93. Explain the two "Siamese Twins" of management. How does this idea relate to the control function of management?
94. There are three broad strategies for achieving organizational control. Describe these strategies and provide an example of each.
95. List and give an example of each of the four types of performance standards.

96. Describe feed forward, feedback and concurrent control. Give an example of each.
97. Describe at least four of the different types of budgets that are frequently used.
98. Discuss the downside of bureaucratic control and describe an example of rigid bureaucratic behavior.
99. Describe the various criteria that control systems should meet when designed by management.
100. Briefly describe market control at the corporate level, business unit level and the individual level.
101. Provide an example of a way in which the employment relationship has changed.

Owners from two businesses have asked you which type of control system they should utilize. To help you make your decision, they have each provided a brief description of their organization. Alpha Omega, Inc. is a large corporation built in the 1950s. They produce chemical concentrates for industrial cleaning. Their organization uses a strict set of rules and regulations with their workforce. They have the ability to track a large amount of data using statistical techniques. Mid-Atlantic Health is a regional medical center. They want to use a control system that will allow them to tie pricing of services and profits to specific services in the medical center.

102. Which control system should Alpha Omega, Inc. utilize? Assume they will not change their current method of operation.
- A. Bureaucratic
 - B. Market
 - C. Clan
 - D. Feedforward
 - E. Concurrent
103. Which control system should Mid-Atlantic Health utilize? Assume they will not change their current method of operation.
- A. Bureaucratic
 - B. Market
 - C. Clan
 - D. Feedforward
 - E. Concurrent
104. The control systems that should be used in the scenarios above were developed by
- A. W. Edwards Deming.
 - B. William Ouchi.
 - C. Frederick Taylor.
 - D. Xerox.
 - E. Motorola.

Your manager is speaking to a group of employees about a problem in your department. Employees are not complying with the rules regarding clocking in and clocking out each day. The rules in this situation are very important as employees will not receive their correct pay if the clocking procedures are not followed. There are three suggestions being considered to address this problem.

1. Employees will be monitored at the entrance during shift changes to make sure that each complies with the procedure.
2. Reports will be reviewed at the end of each pay period. The reports will contain data tracking the number of employees not complying with the procedures each shift. Employees violating the procedure will be counseled to correct the problem.
3. A new procedure will be developed describing an easier procedure for employees to follow. Training will be conducted so that each employee knows the policy and the procedure before it is enacted.

105. Option 1 describes which approach to bureaucratic control?
- A. Feedback
 - B. Feedforward
 - C. Concurrent
 - D. Market
 - E. Clan
106. Option 3 describes which approach to bureaucratic control?
- A. Feedback
 - B. Feedforward
 - C. Concurrent
 - D. Market
 - E. Clan

107. Option 2 describes which approach to bureaucratic control?

- A. Feedback
- B. Feedforward
- C. Concurrent
- D. Market
- E. Clan

Suppose you are a middle manager in a biotechnology research firm. The organization has undergone a dramatic transformation over the last few years. Historically, employees had been managed using a wide array of rules, regulations and procedures. Offending employees were punished "after the fact" for their violations. Today, employees are encouraged to make decisions and come up with innovative solutions to problems they discover. Most employees are much more satisfied under the new scenario; they like using their brains. However, you have one employee who is constantly disgruntled and challenges "the new way" at every chance. For example, this employee believes that you should not be his manager because you can't technically perform every job title that you manage. Other than this employee, the group is much more cohesive and is committed not only to the overall success of the organization but to its standards and reputation.

108. Which of the following types of control system did this organization most likely use in the past?

- A. Clan
- B. Market
- C. Bureaucratic
- D. Subjective
- E. Feedforward

109. Which of the following types of control system does the organization use now?

- A. Clan
- B. Market
- C. Bureaucratic
- D. Subjective
- E. Feedforward

110. Which of the following statements is true regarding the employee described in the above scenario?

- A. The employee is a good example of empowerment.
- B. The employee is unable to appreciate the changing nature of management.
- C. The employee is a perfect match for clan control.
- D. The employee is a perfect match for market control.
- E. The employee prefers a market control system.

Your organization has called a meeting regarding control systems. The top managers of the organization believe that the most important control system is one that is strict and focuses on the authority of top management. Additionally, they want to focus on budget control. Some of the mid-managers are supporting a control system that focuses on business units. They also want to outsource some of the company's finance processes to a different company. Finally, you suggest that the company should focus on the employees and the satisfaction of customers.

111. Which of the following types of control system do the top managers want to focus on?

- A. Clan
- B. Market
- C. Bureaucratic
- D. Concurrent
- E. Feedforward

112. Which of the following types of control system do the mid-managers want to focus on?

- A. Clan
- B. Market
- C. Bureaucratic
- D. Concurrent
- E. Feedforward

113. Which of the following types of control system do your suggestions imply the organization should focus on?
- A. Clan
 - B. Market
 - C. Bureaucratic
 - D. Concurrent
 - E. Feedforward

Ch13 Key

1. Control is a managerial necessity.
(p. 296) **TRUE**

Control is one of the fundamental forces that keep the organization together and heading in the right direction. It is how effective managers make sure that activities are going as planned.

AACSB: Analytic
Bateman - Chapter 13 #1
Blooms: Comprehension
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Medium
Topic: Spinning Out of Control?

2. Market control is the use of rules, regulations and formal authority to guide performance.
(p. 296) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #2
Blooms: Knowledge
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?

3. Clan control assumes that the interests of the organization and individuals naturally diverge.
(p. 297) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #3
Blooms: Knowledge
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?

4. Standards are established in order to set performance expectations.
(p. 297) **TRUE**

Standards are targets that establish desired performance levels, motivate performance, and serve as benchmarks against which to assess actual performance.

AACSB: Analytic
Bateman - Chapter 13 #4
Blooms: Comprehension
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium
Topic: Bureaucratic Control Systems

5. Performance standards can be set with respect to quantity, quality, time and effort.
(p. 298) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #5
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

6. According to the principle of exception, any deviation from the goal requires corrective action.
(p. 299) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #6
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

7. Personal observation involves going to the area of activity and watching what is occurring.
(p. 298) **TRUE**

AACSB: Analytic
Bateman - Chapter 13 #7
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

8. The last step in the control process is to compare performance with the standard.
(p. 297) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #8
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

9. When supervisors monitor employee behavior, they are exercising feedback control.
(p. 301) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #9
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

10. By definition, management audits are internal, not external.
(p. 302) **FALSE**

AACSB: Analytic
Bateman - Chapter 13 #10
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

11. External audits are often used for feedback control but can also be useful for preliminary control.
(p. 302) **TRUE**

External audits provide essential feedback control when they identify legal and ethical lapses that could harm the organization and its reputation. They also are useful for preliminary control because they can prevent problems from occurring.

AACSB: Analytic
Bateman - Chapter 13 #11
Blooms: Comprehension
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium
Topic: Bureaucratic Control Systems

12. Budgeting information is always expressed in monetary units.
(p. 304) **FALSE**

Budgeting information is not confined to finances. The entire enterprise and any of its units can create budgets for their activities, using units other than dollars, if appropriate.

AACSB: Analytic
Bateman - Chapter 13 #12
Blooms: Comprehension
Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Medium
Topic: Budgetary Controls Compare Results with a Plan

13. A master budget includes every activity of the business.
(p. 305) **TRUE**

AACSB: Analytic
Bateman - Chapter 13 #13
Blooms: Knowledge
Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Easy
Topic: Budgetary Controls Compare Results with a Plan

14. Traditional methods of accounting such as activity-based costing are still appropriate today.
(p. 305) **FALSE**

Traditional methods of cost accounting may be inappropriate in today's business environment because they are based on outdated methods of rigid hierarchical organization.

AACSB: Analytic
Bateman - Chapter 13 #14
Blooms: Comprehension
Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Medium
Topic: Budgetary Controls Compare Results with a Plan

15. A control system cannot be effective without consideration of how people will react to it.
(p. 308) **TRUE**

To set up an effective control system, managers need to consider how people will react to it, including three negative responses: rigid bureaucratic behavior, tactical behavior, and resistance.

AACSB: Analytic
Bateman - Chapter 13 #15
Blooms: Comprehension
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Medium
Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

16. Bureaucratic control has a perceived negative connotation.
(p. 309) **TRUE**

AACSB: Analytic
Bateman - Chapter 13 #16
Blooms: Knowledge
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy
Topic: Budgetary Controls Compare Results with a Plan

17. If an employee does not believe his or her performance standard is realistic, he or she is not likely to accept the standard.
(p. 312) **TRUE**

Employees are less likely to resist a control system and exhibit dysfunctional behaviors if they accept the system. They are more likely to accept systems that have useful performance standards but are not overcontrolling. Employees also will find systems more acceptable if they believe the standards are possible to achieve.

AACSB: Analytic
Bateman - Chapter 13 #17
Blooms: Comprehension
Learning Objective: 13-05 List procedures for implementing effective control systems.
Level of Difficulty: Medium
Topic: Managers Can Make Control Systems More Effective

18. Formal bureaucratic control systems have always been the most pervasive and the most effective in organizations.
(p. 313) **FALSE**

Although formal bureaucratic control systems are perhaps the most pervasive in organizations (and the most talked about in management textbooks), they are not always the most effective.

AACSB: Analytic
Bateman - Chapter 13 #18
Blooms: Comprehension
Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Medium
Topic: The Other Controls: Markets and Clans

19. In contrast to market controls, bureaucratic controls involve the use of economic forces to regulate performance.

(p. 314)

FALSE

Market controls involve the use of economic forces—and the pricing mechanisms that accompany them—to regulate performance.

AACSB: Analytic
Bateman - Chapter 13 #19
Blooms: Comprehension

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.

Level of Difficulty: Medium

Topic: The Other Controls: Markets and Clans

20. In large diversified companies, market controls are often used to regulate independent business units.

(p. 314)

TRUE

AACSB: Analytic
Bateman - Chapter 13 #20
Blooms: Knowledge

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.

Level of Difficulty: Easy

Topic: The Other Controls: Markets and Clans

21. Ideally the transfer price should reflect less than the price that the receiving business unit would have to pay for that product/service in the marketplace.

(p. 314)

FALSE

Ideally, the transfer price reflects what the receiving business unit would have to pay for that good or service in the marketplace.

AACSB: Analytic
Bateman - Chapter 13 #21
Blooms: Comprehension

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.

Level of Difficulty: Medium

Topic: The Other Controls: Markets and Clans

22. Increasingly, managers are discovering that control systems based solely on bureaucratic and market mechanisms are insufficient for directing today's workforce.

(p. 315)

TRUE

There are several reasons for this: employees' jobs have changed, the nature of management has changed, and the employment relationship has changed.

AACSB: Analytic
Bateman - Chapter 13 #22
Blooms: Comprehension

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.

Level of Difficulty: Medium

Topic: Clan Control Relies on Empowerment and Culture

23. Organization culture is the foundation of clan control.

(p. 316)

TRUE

An organization culture that encourages the wrong behaviors will severely hinder an effort to impose effective controls. But if managers create and reinforce a strong culture that encourages correct behavior, one in which everyone understands management's values and expectations and is motivated to act in accordance with them, then clan control can be very effective.

AACSB: Analytic
Bateman - Chapter 13 #23
Blooms: Comprehension

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.

Level of Difficulty: Medium

Topic: Clan Control Relies on Empowerment and Culture

24. Control has been called one of the Siamese twins of management. The other twin is
(p. 296) **A.** planning.
B. organizing.
C. leading.
D. directing.
E. empowerment.

AACSB: Analytic
Bateman - Chapter 13 #24
Blooms: Knowledge

Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy

Topic: Spinning Out of Control?

25. Which of the following is a symptom of an out-of-control company?
(p. 296) A. Strict top management
B. Excessive policies
C. Lack of periodic reviews
D. Bad communication systems
E. Lack of cohesiveness in the culture

AACSB: Analytic
Bateman - Chapter 13 #25
Blooms: Knowledge

Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy

Topic: Spinning Out of Control?

26. Any process that directs the activities of individuals toward achieving organizational goals is
(p. 296) A. planning.
B. control.
C. directing.
D. budgeting.
E. clan control.

AACSB: Analytic
Bateman - Chapter 13 #26
Blooms: Knowledge

Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy

Topic: Spinning Out of Control?

27. The use of rules, regulations and authority to guide performance is referred to as
(p. 296) A. clan control.
B. bureaucratic control.
C. market control.
D. concurrent control.
E. feedback control.

AACSB: Analytic
Bateman - Chapter 13 #27
Blooms: Knowledge

Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy

Topic: Spinning Out of Control?

28. Control based on the use of pricing mechanisms and economic information is referred to as
(p. 296) A. clan control.
B. feedback control.
C. market control.
D. feedforward control.
E. bureaucratic control.

AACSB: Analytic
Bateman - Chapter 13 #28
Blooms: Knowledge

Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy

Topic: Spinning Out of Control?

29. Bureaucratic control deals with
(p. 296) **A.** rules and regulations.
B. market forces.
C. economic forces.
D. pricing mechanisms.
E. social norms.

AACSB: Analytic
Bateman - Chapter 13 #29
Blooms: Knowledge
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?

30. Using budgeting, statistical reports and performance appraisals to regulate behavior and results are all
(p. 296) considered components of
A. clan control.
B. market control.
C. bureaucratic control.
D. financial audits.
E. management audits.

AACSB: Analytic
Bateman - Chapter 13 #30
Blooms: Knowledge
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?

31. Control based on the norms, values, shared goals and trust among group members is referred to as
(p. 297) **A.** clan control.
B. feedback control.
C. concurrent control.
D. feedforward control.
E. market control.

AACSB: Analytic
Bateman - Chapter 13 #31
Blooms: Knowledge
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?

32. Which of the following is the third major step in the formal control process?
(p. 297) **A.** Comparing performance with standards
B. Setting standards
C. Taking corrective action
D. Revising standards
E. Measuring performance

AACSB: Analytic
Bateman - Chapter 13 #32
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

33. The last step in the control process is
(p. 297) **A.** taking corrective action.
B. setting performance standards.
C. measuring performance.
D. comparing performance.
E. determining deviations.

AACSB: Analytic
Bateman - Chapter 13 #33
Blooms: Knowledge
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

34. The level of expected performance for a given goal; a target that establishes a desired performance level, motivates performance and serves as a benchmark against which actual performance is assessed is referred to as a(n)
- (p. 297)
- A. goal.
 - B. measurement.
 - C. standard.**
 - D. control process.
 - E. audit.

AACSB: Analytic
Bateman - Chapter 13 #34
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

35. Performance standards can be set with respect to which of the following?
- (p. 298)
- A. Quantity, quality, and temperament
 - B. Quality, temperament and cost
 - C. Cost, quality and functionality
 - D. Quality, time used and quantity**
 - E. Time used, quality, functionality

AACSB: Analytic
Bateman - Chapter 13 #35
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

36. Where are performance data commonly obtained?
- (p. 298)
- A. Oral and written reports and personal observation**
 - B. Supervisors, written reports and personal observation
 - C. Top, middle and lower management
 - D. Competitors, oral reports and upper management
 - E. Technical analysts from outside the company

AACSB: Analytic
Bateman - Chapter 13 #36
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

37. Jennifer Saxton is in charge of production at Nanosystems, Inc. Part of her job is to be sure that the parts produced are extremely accurate; in fact, it is important that they are perfectly produced as they are used in medical devices. When Jennifer concentrates on the significant deviations from established standards, she is using
- (p. 299)
- A. unreasonable control.
 - B. the principle of deviation.
 - C. inefficient control.
 - D. the principle of exception.**
 - E. behavioral standards.

AACSB: Analytic
Bateman - Chapter 13 #37
Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Hard
Topic: Bureaucratic Control Systems

The principle of exception states that control is enhanced; by concentrating on the exceptions to, or significant deviations from the expected result or standard.

38. A managerial principle stating that control is enhanced by concentrating on the exceptions or significant deviations from the expected result or standard is referred to as
- A. the principle of control.
 - B. a management audit.
 - C. management myopia.
 - D.** the principle of exception.
 - E. control stages.

AACSB: Analytic
Bateman - Chapter 13 #38
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

39. The control process used while plans are being carried out, including directing, monitoring and fine-tuning activities as they are performed is referred to as
- A. feedforward control.
 - B.** concurrent control.
 - C. feedback control.
 - D. budgeting.
 - E. market control.

AACSB: Analytic
Bateman - Chapter 13 #39
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

40. Which type of control takes place while plans are being carried out?
- A. Feedback control
 - B. Specialist control
 - C. Preliminary control
 - D. Feedforward control
 - E.** Concurrent control

AACSB: Analytic
Bateman - Chapter 13 #40
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

41. At Precision Instruments, it was recently announced that all assembly workers are to arrive 15 minutes early for their shift in order to be outfitted in specialized gear that will reduce minute particles from the environment from entering products that are being assembled. Products are then assembled in a controlled environment. This requirement reflects _____ control.
- A. feedback
 - B. specialist
 - C.** feedforward
 - D. operator
 - E. concurrent

Feedforward control takes place before operations begin and includes policies, procedures, and rules designed to ensure that planned activities are carried out properly. Feedforward control is future oriented; its aim is to prevent problems before they arise. Instead of waiting for results and comparing them with goals, a manager can exert control by limiting activities in advance. The specialized gear is the attempt by Precision Instruments to prevent future problems from minute particles entering products that are being assembled.

AACSB: Analytic
Bateman - Chapter 13 #41
Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

42. Which type of control is future oriented?

(p. 300)

- A. Feedback control
- B. Specialist control
- C. Feedforward control**
- D. Operator control
- E. Concurrent control

AACSB: Analytic
Bateman - Chapter 13 #42
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

43. Electronic monitoring of telemarketers' conversations with potential clients is an example of _____ control.

(p. 300-301)

- A. operator
- B. concurrent**
- C. preliminary
- D. technological
- E. feedback

Concurrent control takes place while plans are being carried out. It includes directing, monitoring, and fine-tuning activities as they occur. Electronic monitoring is a concurrent control that occurs while the telemarketer and potential clients are conversing.

AACSB: Analytic
Bateman - Chapter 13 #43
Blooms: Comprehension

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium

Topic: Bureaucratic Control Systems

44. Advances in information technology have created powerful

(p. 301)

- A. feedback controls.
- B. auditing capabilities.
- C. market controls.
- D. concurrent controls.**
- E. organization links.

Advances in information technology have created powerful concurrent controls. Computerized systems give managers immediate access to data from the remotest corners of their companies.

AACSB: Analytic
Bateman - Chapter 13 #44
Blooms: Comprehension

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium

Topic: Bureaucratic Control Systems

45. Control that focuses on the use of information about previous results to correct deviations from the acceptable standard is referred to as

(p. 300)

- A. feedforward control.
- B. quality control.
- C. feedback control.**
- D. audit control.
- E. performance control.

AACSB: Analytic
Bateman - Chapter 13 #45
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

46. Which of the following statements is true regarding Six Sigma?
(p. 301-302)
- A. The system was developed by GE.
 - B. It is designed to choose the correct organizational process for the job.
 - C. The lower the sigma number, the lower the level of defects.
 - D.** It indicates how often defects in a process are likely to occur.
 - E. Six Sigma always improves the bottom line.

Six Sigma was developed at Motorola in the late 1980s and is designed to reduce defects in all organization processes. Additionally, the system indicates how often defects in a process are likely to occur. The lower the sigma number, the higher the level of variation or defects; the higher the sigma number, the lower the level of variation or defects. Finally, Six Sigma has come under criticism for not always delivering business results. One likely reason Six Sigma doesn't always improve the bottom line is that it focuses only on how to eliminate defects in a process, not whether the process is the best one for the organization.

AACSB: Analytic
Bateman - Chapter 13 #46
Blooms: Comprehension

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium

Topic: Bureaucratic Control Systems

47. The Six Sigma approach is based on _____ analyses that contribute to _____.
(p. 302)
- A. statistical, increased customer base
 - B. budgetary, customer satisfaction
 - C. strategic analysis, customer satisfaction
 - D.** statistical, customer satisfaction
 - E. strategic analysis, increased customer base

AACSB: Analytic
Bateman - Chapter 13 #47
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

48. Managers conduct _____ audits of other companies and _____ audits of their own company.
(p. 302)
- A. financial, legal and ethical
 - B.** external, internal
 - C. SWOT, Six Sigma
 - D. internal, external
 - E. customer, financial

AACSB: Analytic
Bateman - Chapter 13 #48
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

49. An evaluation of the effectiveness and efficiency of various systems within an organization is called a(n) _____.
(p. 302)
- A. internal audit.
 - B.** management audit.
 - C. external audit.
 - D. budget audit.
 - E. Six Sigma analysis.

AACSB: Analytic
Bateman - Chapter 13 #49
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy

Topic: Bureaucratic Control Systems

50. External audits can be used for which of the following?
(p. 302)
- A. Evaluating financial stability
 - B. Evaluating production efficiency
 - C. Evaluating sales effectiveness
 - D. Identifying possible mergers or acquisitions**
 - E. Identifying earnings potential

This type of analysis investigates other organizations for possible merger or acquisition, determines the soundness of a company that will be used as a major supplier, or discovers the strengths and weaknesses of a competitor to maintain or better exploit the competitive advantage of the investigating organization. External audits provide essential feedback control when they identify legal and ethical lapses that could harm the organization and its reputation.

AACSB: Analytic
Bateman - Chapter 13 #50
Blooms: Comprehension

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium
Topic: Bureaucratic Control Systems

51. Assessing your own company's planning, organizing, leading and controlling efforts is the essential function of
(p. 302)
- A. strategic audits
 - B. feedforward control
 - C. feedback control
 - D. external audits
 - E. internal audits**

An internal audit assesses what the company has done for itself and what it has done for its customers or other recipients of its goods and services.

AACSB: Analytic
Bateman - Chapter 13 #51
Blooms: Comprehension

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Medium
Topic: Bureaucratic Control Systems

52. A firm conducting an internal audit would assess
(p. 302)
- A. its own financial stability.**
 - B. suppliers.
 - C. potential partners.
 - D. potential merger targets.
 - E. potential acquisitions.

AACSB: Analytic
Bateman - Chapter 13 #52
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

53. An evaluation conducted by one organization of another organization is referred to as a(n)
(p. 302)
- A. external audit.**
 - B. management audit.
 - C. internal audit.
 - D. accounting audit.
 - E. budget audit.

AACSB: Analytic
Bateman - Chapter 13 #53
Blooms: Knowledge

Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Easy
Topic: Bureaucratic Control Systems

54. The process of investigating what is being done and comparing the results with the corresponding budget data to verify accomplishments or remedy differences is referred to as
- (p. 303)
- A. activity-based costing (ABC).
 - B. accounting audits.
 - C.** budgetary control.
 - D. financial audits.
 - E. management audits.

AACSB: Analytic
Bateman - Chapter 13 #54
Blooms: Knowledge

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Easy

Topic: Budgetary Controls Compare Results with a Plan

55. Which of the following is the second stage in budgetary control?
- (p. 304)
- A. Responding appropriately
 - B.** Budgetary operations
 - C. Comparing Six Sigma data
 - D. Establishing expectancies
 - E. Accounting audit

AACSB: Analytic
Bateman - Chapter 13 #55
Blooms: Knowledge

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Easy

Topic: Budgetary Controls Compare Results with a Plan

56. Which of the following is the budget used for areas of the organization that incur expenses but no revenue?
- (p. 304)
- A. Sales budget
 - B. Production budget
 - C.** Cost budget
 - D. Cash budget
 - E. Master budget

AACSB: Analytic
Bateman - Chapter 13 #56
Blooms: Knowledge

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Easy

Topic: Budgetary Controls Compare Results with a Plan

57. Katrina Calocia is a financial manager at Flavors, Inc., a lollipop manufacturer. One of her duties as manager is to provide a budget that shows the anticipated receipts and expenditures of her company. The budget also shows the amount of working capital available and the extent to which outside financing may be required. Katrina produces this budget after all other budget estimates are complete. Which type of budget is Katrina currently working on?
- (p. 304)
- A. Master budget
 - B.** Cash budget
 - C. Cost production budget
 - D. Production budget
 - E. Sales budget

The cash budget should be prepared after all other budget estimates are completed. The cash budget shows the anticipated receipts and expenditures, the amount of working capital available, the extent to which outside financing may be required, and the periods and amounts of cash available.

AACSB: Analytic
Bateman - Chapter 13 #57
Blooms: Application

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Hard

Topic: Budgetary Controls Compare Results with a Plan

58. Procedures used to verify accounting reports and statements are referred to as a(n)
(p. 305) A. management audits.
B. accounting audits.
C. activity-based costing (ABC).
D. financial analysis.
E. budget audit.

AACSB: Analytic
Bateman - Chapter 13 #58
Blooms: Knowledge
Level of Difficulty: Easy

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.

Topic: Budgetary Controls Compare Results with a Plan

59. AllMax Enterprises has begun a new system of allocating costs according to what their employees do,
(p. 305) rather than what the company spends. For example, labor expenses are allocated to employee tasks rather than salary and benefits. This practice is referred to as
A. cost accounting.
B. accounting auditing.
C. task accounting.
D. activity-based costing.
E. allocation costing.

Activity-based costing is a method of cost accounting designed to identify streams of activity and then to allocate costs across particular business processes according to the amount of time employees devote to particular activities.

AACSB: Analytic
Bateman - Chapter 13 #59
Blooms: Application
Level of Difficulty: Hard

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.

Topic: Budgetary Controls Compare Results with a Plan

60. An itemized financial statement of the income and the expenses of a company's operations is called
(p. 306) the
A. income and expense statement.
B. balance sheet.
C. cash flow statement.
D. assets and liabilities statement.
E. profit and loss statement.

AACSB: Analytic
Bateman - Chapter 13 #60
Blooms: Knowledge
Level of Difficulty: Easy

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

61. The balance sheet shows
(p. 306) A. annual profit.
B. potential profit.
C. relative labor costs.
D. a financial picture of a company at a given time.
E. a company's performance over time.

AACSB: Analytic
Bateman - Chapter 13 #61
Blooms: Knowledge
Level of Difficulty: Easy

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

62. Which of the following are the basic elements of a balance sheet?

- (p. 306)
- A. income, expenses, profit/loss
 - B. operations, sales, growth
 - C.** assets, liabilities, owner's equity
 - D. income, deductions, taxes
 - E. budgets, controls, plans

AACSB: Analytic
Bateman - Chapter 13 #62
Blooms: Knowledge
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

63. Liquidity ratios

- (p. 308)
- A.** indicate the company's ability to pay short-term debts.
 - B. include current ratios and debt-equity ratios.
 - C. indicate management's ability to generate a financial return on sales or investment.
 - D. include profitability and turnover ratios.
 - E. indicate the company's ability to pay long-term debts.

AACSB: Analytic
Bateman - Chapter 13 #63
Blooms: Knowledge
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

64. Chun-Mei has just reviewed a number of indicators of financial control. The one that troubles her indicates that the company may have trouble meeting its short-term financial obligations. Chun-Mei is concerned about

- (p. 308)
- A. the profit and loss statement.
 - B. the profitability ratio.
 - C. a leverage ratio.
 - D.** the current ratio.
 - E. the return on investment ratio.

The current ratio indicates the extent to which current assets can decline and still be adequate to pay current liabilities.

AACSB: Analytic
Bateman - Chapter 13 #64
Blooms: Comprehension
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Medium

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

65. The most common liquidity ratio is current assets to current liabilities, which is also called the

- (p. 308)
- A. debt-equity ratio.
 - B.** current ratio.
 - C. profit loss ratio.
 - D. return on investment ratio.
 - E. stockholders' equity ratio.

AACSB: Analytic
Bateman - Chapter 13 #65
Blooms: Knowledge
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

66. (p. 306) A report that shows the financial picture of a company at a given time and itemizes assets, liabilities and stockholders' equity is referred to as a (n)
- A. profit and loss statement.
 - B.** balance sheet.
 - C. expense report.
 - D. income statement.
 - E. budget report.

AACSB: Analytic
Bateman - Chapter 13 #66
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

67. (p. 306) The values of the various items the corporation owns are referred to as
- A. liabilities.
 - B. owner's equity.
 - C. debt-equity ratio.
 - D.** assets.
 - E. cost of goods.

AACSB: Analytic
Bateman - Chapter 13 #67
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

68. (p. 306) The amounts a corporation owes to creditors are referred to as
- A.** liabilities.
 - B. assets.
 - C. stockholders' equity.
 - D. leverage.
 - E. ROI.

AACSB: Analytic
Bateman - Chapter 13 #68
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

69. (p. 306) The amount accruing to the corporation's owners is referred to as
- A. liabilities.
 - B. interest expense.
 - C. assets.
 - D.** stockholders' equity.
 - E. ROI.

AACSB: Analytic
Bateman - Chapter 13 #69
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

70. (p. 306) An itemized financial statement of the income and expenses of a company's operations is referred to as the
- A. statement of cash flow.
 - B.** profit and loss statement.
 - C. balance sheet.
 - D. expense report.
 - E. financial ratio statement.

AACSB: Analytic
Bateman - Chapter 13 #70
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

71. (p. 308) A liquidity ratio that indicates the extent to which short-term assets can decline and still be adequate to pay short-term liabilities is referred to as the
- A.** current ratio.
 - B. return on investment (ROI).
 - C. debt-equity ratio.
 - D. leverage ratio.
 - E. profitability ratio.

AACSB: Analytic
Bateman - Chapter 13 #71
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

72. (p. 308) Leverage ratios
- A.** show the relative amount of funds in the business supplied by creditors and shareholders.
 - B. indicate a company's ability to pay short-term debts.
 - C. indicate management's ability to generate a financial return on sales or investment.
 - D. show the profit margins for the last six months.
 - E. indicate the future profits from the current customer base.

AACSB: Analytic
Bateman - Chapter 13 #72
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

73. (p. 308) Profitability ratios
- A. show the relative amount of funds in the business supplied by creditors and shareholders.
 - B. indicate a company's ability to pay short-term debts.
 - C.** indicate management's ability to generate a financial return on sales or investment.
 - D. show the profit margins for the last six months.
 - E. indicate the future profits from the current customer base.

AACSB: Analytic
Bateman - Chapter 13 #73
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

74. (p. 308) "Management myopia" is a condition that refers to
- A. manager lacking motivation to reach their performance targets and in turn find it difficult to motivate subordinates.
 - B.** managers limiting their focus to short-term profits at the expense of longer-term concerns.
 - C. managers who find themselves unable to rise beyond a certain level in the organizational hierarchy.
 - D. managers being promoted to their "level of incompetence."
 - E. managers finding they cannot progress within an organization due to corporate downsizing/paring of middle management layers.

AACSB: Analytic
Bateman - Chapter 13 #74
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

75. (p. 308) A ratio of profit to capital used or a rate of return from capital is referred to as
- A. the debt-equity ratio.
 - B. the profitability ratio.
 - C.** return on investment (ROI).
 - D. the liquidity ratio.
 - E. the leverage ratio.

AACSB: Analytic
Bateman - Chapter 13 #75
Blooms: Knowledge

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Level of Difficulty: Easy

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

76. Bureaucratic controls often results in
(p. 309) **A.** inflexible behavior.
B. quick reaction times.
C. strong cultures.
D. open communication.
E. corporate agility.

Often people act in ways that will look good on the control system's measures. This tendency is useful when it focuses people on required behaviors. But it can result in rigid, inflexible behavior geared toward doing *only* what the system requires.

AACSB: Analytic
Bateman - Chapter 13 #76
Blooms: Comprehension
Level of Difficulty: Medium

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

77. When a control system prompts employees to do only tasks required in their formal job descriptions, it
(p. 309) is causing
A. excessive subordination.
B. tactical behaviors.
C. rigid bureaucratic behaviors.
D. resistance to supervision.
E. resistance to change.

Often people act in ways that will look good on the control system's measures. This tendency is useful when it focuses people on required behaviors. But it can result in rigid, inflexible behavior geared toward doing *only* what the system requires.

AACSB: Analytic
Bateman - Chapter 13 #77
Blooms: Comprehension
Level of Difficulty: Medium

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

78. When employees feel forced to attempt to "beat the system" their behavior might be classified as
(p. 309) **A.** rigidly bureaucratic.
B. tactical.
C. resisting.
D. defensive.
E. myopic.

AACSB: Analytic
Bateman - Chapter 13 #78
Blooms: Knowledge
Level of Difficulty: Easy

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.
Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

79. Carlos was new to his organization but quickly noticed a pattern at the annual budgeting session. Mid-level managers were asking for unrealistically high budgets while top management was attempting to require budgets under last year's actual expenditures. The management's strategies are referred to as
- A. budget breakdowns.
 - B. bureaucratic budgeting.
 - C. budget resistance.
 - D.** tactical behaviors.
 - E. rigid behaviors.

A common form of tactical behavior is when people falsify predictions or request for the future. When asked to give budgetary estimates, employees usually ask for more than what they need. This is what the mid-level managers are doing. Or if they believe a low estimate will help them get a budget or a project approved, they may submit unrealistically *low* estimates. Top management was engaging in the second form of tactical behavior.

AACSB: Analytic
Bateman - Chapter 13 #79
Blooms: Comprehension
Level of Difficulty: Medium

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

80. Employees resist formal control systems for which of the following reasons?
- A.** Control systems can change the power structure of the organization.
 - B. Control systems make employees less accountable for their performance.
 - C. Control systems maintain individuals' expertise.
 - D. Control systems insure employees' security.
 - E. Control systems require cooperation between employees.

People resist control systems for several reasons. First, they increase the accuracy of performance data and make employees more accountable for their actions. Control systems uncover mistakes, threaten people's job security and status, and decrease people's autonomy. Control systems can change expertise and power structures and can change the social structure of an organization.

AACSB: Analytic
Bateman - Chapter 13 #80
Blooms: Comprehension
Level of Difficulty: Medium

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

81. To be effective, control systems must
- A. be based on subjective standards.
 - B. communicate needed information upward in the organization.
 - C. be acceptable to top stockholders.
 - D.** use multiple control approaches.
 - E. centralize decision making.

AACSB: Analytic
Bateman - Chapter 13 #81
Blooms: Knowledge
Level of Difficulty: Easy

Learning Objective: 13-05 List procedures for implementing effective control systems.

Topic: Managers Can Make Control Systems More Effective

82. In order to gain employee acceptance of useful performance standards, a manager can
(p. 310) **A.** set standards that employees view as possible to achieve.
B. set standards low enough that all employees can easily meet them.
C. tell employees that you might not use the standards.
D. focus on controlling negative behavior.
E. let employees know that you take your own performance measures.

Employees are less likely to resist a control system and exhibit dysfunctional behaviors if they accept the system. They are more likely to accept systems that have useful performance standards but are not over-controlling. Employees also will find systems more acceptable if they believe the standards are possible to achieve.

AACSB: Analytic
Bateman - Chapter 13 #82
Blooms: Comprehension

Learning Objective: 13-05 List procedures for implementing effective control systems.
Level of Difficulty: Medium
Topic: Managers Can Make Control Systems More Effective

83. Casinos control card dealers by using multiple controls. Which of the following would be the most
(p. 313) correct tool used as one of the multiple controls?
A. Requiring dealers to have a driver's license before being hired
B. Using closed-circuit cameras, two way mirrors and direct supervision
C. Requiring detailed paperwork to audit the transfer of shifts
D. Requiring employees to be searched before they leave the premises
E. Requiring dealers to empty their pockets before beginning work

The use of closed-circuit cameras us a form of direct scrutiny that helps control the risk so that the casino does not lose money. The requirement of a dealer's license rather than a driver's license would be a better control. Furthermore, paperwork auditing the transfer of cash and cash equivalents would be more appropriate. Finally, searching employees before and after work does not directly control the dealers' jobs while they are occurring.

AACSB: Analytic
Bateman - Chapter 13 #83
Blooms: Application

Learning Objective: 13-05 List procedures for implementing effective control systems.
Level of Difficulty: Hard
Topic: Managers Can Make Control Systems More Effective

84. Market controls involve
(p. 314) A. the use of rules and regulations.
B. the use of economic standards.
C. the use of authority.
D. the use of sales and variable costs levels.
E. the use of norms.

AACSB: Analytic
Bateman - Chapter 13 #84
Blooms: Knowledge

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Easy
Topic: The Other Controls: Markets and Clans

85. The use of market control mechanisms has been criticized by those who believe that
(p. 314) A. they rely too heavily on rules and procedures.
B. economic measures do not adequately reflect the complete value of an organization.
C. they are too dependent on the organizational culture.
D. economic measures are the only reflection of the complete value of an organization.
E. decision making and power are too centralized when they are in use.

The use of market control mechanisms has been criticized by those who insist that economic measures do not adequately reflect the complete value of an organization. Employees often suffer as diversified companies are repeatedly bought and sold based on market controls.

AACSB: Analytic
Bateman - Chapter 13 #85
Blooms: Comprehension
Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Medium
Topic: The Other Controls: Markets and Clans

86. The price charged by one unit of an organization that supplies to another unit in the same organization
(p. 314) is referred to as a(n)
A. substitute price.
B. transfer price.
C. department price.
D. organizational price.
E. budget price.

AACSB: Analytic
Bateman - Chapter 13 #86
Blooms: Knowledge
Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Easy
Topic: The Other Controls: Markets and Clans

87. Traditionally, boards have tried to control CEO performance mainly through
(p. 315) A. salary schedules.
B. bonuses tied to productivity.
C. perks.
D. incentive pay.
E. bonuses tied to long-term profit targets.

Traditionally, boards have tried to control CEO performance mainly through the use of incentive pay, including bonuses tied to short-term profit targets.

AACSB: Analytic
Bateman - Chapter 13 #87
Blooms: Comprehension
Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Medium
Topic: The Other Controls: Markets and Clans

88. The increasing need for clan control is caused by
(p. 316) **A.** changes in the employment relationship.
B. changes in the economics of work.
C. changes in government regulations.
D. employees lack of interest in corporate decisions.
E. employees are becoming too empowered.

Employees once were most concerned about pay, job security, and the hours of work. Today, however, more and more employees want to be more fully engaged in their work, taking part in decision making, devising solutions to unique problems, and receiving assignments that are challenging and involving.

AACSB: Analytic
Bateman - Chapter 13 #88
Blooms: Comprehension

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Medium

Topic: Clan Control Relies on Empowerment and Culture

89. Empowerment is important in organizations today because
(p. 316) **A.** the nature of management has changed.
B. employees' jobs have become less challenging.
C. employees are more concerned about pay.
D. labor unions are growing.
E. of the increasing role of technology.

Empowerment not only has become more popular in organizations but also has become a necessary aspect of a manager's repertoire of control. With no "one best way" to approach a job and no way to scrutinize what employees do every day, managers must empower employees to make decisions and trust that they will act in the firm's best interests.

AACSB: Analytic
Bateman - Chapter 13 #89
Blooms: Comprehension

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Medium

Topic: Clan Control Relies on Empowerment and Culture

90. The textbook equates the effective use of clan control with
(p. 315-316) A. reduced bureaucracy.
B. enhanced vertical communication.
C. empowerment.
D. job security.
E. strong corporate culture.

Managers are discovering that control systems based solely on bureaucratic and market mechanisms are insufficient for directing today's workforce. The fact that employees' jobs have changed, the nature of management has changed, and the employment relationship has changed has caused empowerment to become a necessary aspect of a manager's repertoire of control.

AACSB: Analytic
Bateman - Chapter 13 #90
Blooms: Comprehension

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Medium

Topic: Clan Control Relies on Empowerment and Culture

91. Control that is based on the idea that employees may share the values, expectations and goals of the organization and act in accordance with them is called
(p. 316-317)
- A. empowerment.
 - B. authority control.
 - C. bureaucratic control.
 - D. cultural control.
 - E. clan control.**

If managers ;create and reinforce a strong culture that encourages correct behavior, one in which everyone understand management's valued and expectations and is motivated to act in accordance with them, then clan control can be very effective.

AACSB: Analytic
Bateman - Chapter 13 #91
Blooms: Comprehension
Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Medium
Topic: Clan Control Relies on Empowerment and Culture

92. Which of the following is a guideline provided by your text for managing in an empowered setting?
(p. 317)
- A. Put control where the best people are
 - B. Build on trust
 - C. Use reactive controls
 - D. Base control on company norms
 - E. Reinforce responsiveness and teamwork**

AACSB: Analytic
Bateman - Chapter 13 #92
Blooms: Knowledge
Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Easy
Topic: Clan Control Relies on Empowerment and Culture

93. Explain the two "Siamese Twins" of management. How does this idea relate to the control function of management?
(p. 296-297)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #93
Blooms: Comprehension
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Medium
Topic: Spinning Out of Control?

94. There are three broad strategies for achieving organizational control. Describe these strategies and provide an example of each.
(p. 296-297)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #94
Blooms: Application
Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Hard
Topic: Spinning Out of Control?

95. List and give an example of each of the four types of performance standards.
(p. 297-298)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #95
Blooms: Application
Learning Objective: 13-02 Summarize how to design a basic control system.
Level of Difficulty: Hard
Topic: Bureaucratic Control Systems

96. Describe feed forward, feedback and concurrent control. Give an example of each.

(p. 300-301)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #96
Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.

Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

97. Describe at least four of the different types of budgets that are frequently used.

(p. 304-305)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #97
Blooms: Comprehension

Learning Objective: 13-03 Describe the purposes for using budgets as a control device.

Level of Difficulty: Medium

Topic: Budgetary Controls Compare Results with a Plan

98. Discuss the downside of bureaucratic control and describe an example of rigid bureaucratic behavior.

(p. 308-310)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #98
Blooms: Application

Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.

Level of Difficulty: Hard

Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements

99. Describe the various criteria that control systems should meet when designed by management.

(p. 310-313)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #99
Blooms: Comprehension

Learning Objective: 13-05 List procedures for implementing effective control systems.

Level of Difficulty: Medium

Topic: Bureaucratic Control Systems

100. Briefly describe market control at the corporate level, business unit level and the individual level.

(p. 314-315)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #100
Blooms: Comprehension

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.

Level of Difficulty: Medium

Topic: The Other Controls: Markets and Clans

101. Provide an example of a way in which the employment relationship has changed.

(p. 316)

Answers will vary.

AACSB: Analytic
Bateman - Chapter 13 #101
Blooms: Application

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.

Level of Difficulty: Hard

Topic: Clan Control Relies on Empowerment and Culture

Owners from two businesses have asked you which type of control system they should utilize. To help you make your decision, they have each provided a brief description of their organization. Alpha Omega, Inc. is a large corporation built in the 1950s. They produce chemical concentrates for industrial cleaning. Their organization uses a strict set of rules and regulations with their workforce. They have the ability to track a large amount of data using statistical techniques. Mid-Atlantic Health is a regional medical center. They want to use a control system that will allow them to tie pricing of services and profits to specific services in the medical center.

Bateman - Chapter 13

102. Which control system should Alpha Omega, Inc. utilize? Assume they will not change their current method of operation.
(p. 296)
- A.** Bureaucratic
 - B. Market
 - C. Clan
 - D. Feedforward
 - E. Concurrent

Alpha Omega should utilize a bureaucratic control system. Bureaucratic control uses rules, standards, regulations, hierarchy, and legitimate authority to guide performance. Also, it includes such items as budgets, statistical reports, and performance appraisals to regulate behavior and results. Alpha Omega already has a strict set of rules and utilizes statistical techniques, making a bureaucratic control system the best fit.

*AACSB: Analytic
Bateman - Chapter 13 #102
Blooms: Application*

*Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Hard
Topic: Spinning Out of Control?*

103. Which control system should Mid-Atlantic Health utilize? Assume they will not change their current method of operation.
(p. 296)
- A. Bureaucratic
 - B.** Market
 - C. Clan
 - D. Feedforward
 - E. Concurrent

Mid-Atlantic should utilize a market control system. Market control involves the use of prices, competition, and exchange relationships to regulate activities in organizations. This is the best fit for Mid-Atlantic because the company is already focused on pricing.

*AACSB: Analytic
Bateman - Chapter 13 #103
Blooms: Application*

*Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Hard
Topic: Spinning Out of Control?*

104. The control systems that should be used in the scenarios above were developed by
(p. 296)
- A. W. Edwards Deming.
 - B.** William Ouchi.
 - C. Frederick Taylor.
 - D. Xerox.
 - E. Motorola.

*AACSB: Analytic
Bateman - Chapter 13 #104
Blooms: Knowledge*

*Learning Objective: 13-01 Explain why companies develop control systems for employees.
Level of Difficulty: Easy
Topic: Spinning Out of Control?*

Your manager is speaking to a group of employees about a problem in your department. Employees are not complying with the rules regarding clocking in and clocking out each day. The rules in this situation are very important as employees will not receive their correct pay if the clocking procedures are not followed. There are three suggestions being considered to address this problem.

1. Employees will be monitored at the entrance during shift changes to make sure that each complies with the procedure.
2. Reports will be reviewed at the end of each pay period. The reports will contain data tracking the number of employees not complying with the procedures each shift. Employees violating the procedure will be counseled to correct the problem.
3. A new procedure will be developed describing an easier procedure for employees to follow. Training will be conducted so that each employee knows the policy and the procedure before it is enacted.

Bateman - Chapter 13

105. Option 1 describes which approach to bureaucratic control?

- (p. 300-301)
- A. Feedback
 - B. Feedforward
 - C. Concurrent**
 - D. Market
 - E. Clan

Concurrent control takes place while plans are being carried out. Option 1 is attempting to monitor and fine-tune the procedure while it is occurring.

AACSB: Analytic

Bateman - Chapter 13 #105

Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.

Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

106. Option 3 describes which approach to bureaucratic control?

- (p. 300)
- A. Feedback
 - B. Feedforward**
 - C. Concurrent
 - D. Market
 - E. Clan

Feedforward control is future oriented. It takes place before operations begin and includes policies, procedures, and rule designed to ensure that planned activities are carried out properly. Option 3 is an attempt to ensure the policy is carried out from the beginning.

AACSB: Analytic

Bateman - Chapter 13 #106

Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.

Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

107. Option 2 describes which approach to bureaucratic control?

(p. 300-301)

- A.** Feedback
- B. Feedforward
- C. Concurrent
- D. Market
- E. Clan

Feedback control focuses on the use of information about results to correct deviations from the acceptable standard after they arise. When managers point out and correct improper performance, like in Option 2, they are using feedback as a means of control.

AACSB: Analytic
Bateman - Chapter 13 #107

Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.

Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

Suppose you are a middle manager in a biotechnology research firm. The organization has undergone a dramatic transformation over the last few years. Historically, employees had been managed using a wide array of rules, regulations and procedures. Offending employees were punished "after the fact" for their violations. Today, employees are encouraged to make decisions and come up with innovative solutions to problems they discover. Most employees are much more satisfied under the new scenario; they like using their brains. However, you have one employee who is constantly disgruntled and challenges "the new way" at every chance. For example, this employee believes that you should not be his manager because you can't technically perform every job title that you manage. Other than this employee, the group is much more cohesive and is committed not only to the overall success of the organization but to its standards and reputation.

Bateman - Chapter 13

108. Which of the following types of control system did this organization most likely use in the past?

(p. 296)

- A. Clan
- B. Market
- C.** Bureaucratic
- D. Subjective
- E. Feedforward

The organization has historically used bureaucratic control because of its use of rules, standards and regulations to guide performance.

AACSB: Analytic
Bateman - Chapter 13 #108

Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.

Level of Difficulty: Hard

Topic: Bureaucratic Control Systems

109. Which of the following types of control system does the organization use now?

(p. 316)

- A.** Clan
- B. Market
- C. Bureaucratic
- D. Subjective
- E. Feedforward

Employees are experiencing empowerment, a component of clan control. This is seen in how employees are encouraged to make decisions and come up with innovative solutions to problems they discover. As part of clan control and empowerment, managers must empower employees to make decisions and trust that they will act in the firm's best interests. Furthermore, clan control is also necessary when the employment relationship has changed. Today, more and more employees want to be more fully engaged in their work, taking part in decision making and devising solutions. They want to use their brains.

AACSB: Analytic
Bateman - Chapter 13 #109

Blooms: Application

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.

Level of Difficulty: Hard

Topic: Clan Control Relies on Empowerment and Culture

110. Which of the following statements is true regarding the employee described in the above scenario?

(p. 315-316)

- A. The employee is a good example of empowerment.
- B.** The employee is unable to appreciate the changing nature of management.
- C. The employee is a perfect match for clan control.
- D. The employee is a perfect match for market control.
- E. The employee prefers a market control system.

The employee is unable to appreciate the changing nature of management. Managers used to know more about the job than employees did. Today, with the shift to knowledge work, employees typically know more about their jobs than anyone else does. The employee feels that you do not know enough about his/her job to be able to manage it.

AACSB: Analytic
Bateman - Chapter 13 #110

Blooms: Application

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.

Level of Difficulty: Hard

Topic: Clan Control Relies on Empowerment and Culture

Your organization has called a meeting regarding control systems. The top managers of the organization believe that the most important control system is one that is strict and focuses on the authority of top management. Additionally, they want to focus on budget control. Some of the mid-managers are supporting a control system that focuses on business units. They also want to outsource some of the company's finance processes to a different company. Finally, you suggest that the company should focus on the employees and the satisfaction of customers.

Bateman - Chapter 13

111. Which of the following types of control system do the top managers want to focus on?

(p. 297-304)

- A. Clan
- B. Market
- C. Bureaucratic**
- D. Concurrent
- E. Feedforward

The top managers are favoring a bureaucratic control system because of its use of rules, standards and regulations to guide performance. Furthermore, budgetary control ties together feedforward, concurrent, and feedback control, which are all part of a bureaucratic control system.

AACSB: Analytic
Bateman - Chapter 13 #111
Blooms: Application

Learning Objective: 13-02 Summarize how to design a basic control system.
Learning Objective: 13-03 Describe the purposes for using budgets as a control device.
Level of Difficulty: Hard

Topic: Bureaucratic Control Systems; Budgetary Control Compare Results with a Plan

112. Which of the following types of control system do the mid-managers want to focus on?

(p. 313-315)

- A. Clan
- B. Market**
- C. Bureaucratic
- D. Concurrent
- E. Feedforward

The mid-managers are supporting the focus of the organization on a market control system. Within a market control system, economic forces and pricing mechanisms, can operate at the level of the corporation, the business unit, and the individual. At the business unit level, market controls such as transfer prices provide natural incentives to keep costs down and quality up. This in turn causes companies to outsource processes for lower prices and the expertise developed by that specialized firm.

AACSB: Analytic
Bateman - Chapter 13 #112
Blooms: Application

Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.
Level of Difficulty: Hard

Topic: The Other Controls: Markets and Clans

113. Which of the following types of control system do your suggestions imply the organization should focus on?

(p. 315-316)

- A. Clan**
- B. Market
- C. Bureaucratic
- D. Concurrent
- E. Feedforward

Your suggestion that the organization focus on employees suggests that you favor a clan control system. You support the empowerment of employees, which will lead to an empowered organization. An empowered organization emphasizes satisfying customers, rather than pleasing the boss.

AACSB: Analytic
Bateman - Chapter 13 #113
Blooms: Application

Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.
Level of Difficulty: Hard

Topic: Clan Control Relies on Empowerment and Culture

Ch13 Summary

<u>Category</u>	<u># of Questions</u>
AACSB: Analytic	113
Bateman - Chapter 13	117
Blooms: Application	21
Blooms: Comprehension	33
Blooms: Knowledge	59
Learning Objective: 13-01 Explain why companies develop control systems for employees.	16
Learning Objective: 13-02 Summarize how to design a basic control system.	37
Learning Objective: 13-03 Describe the purposes for using budgets as a control device.	11
Learning Objective: 13-04 Define basic types of financial statements and financial ratios used as controls.	24
Learning Objective: 13-05 List procedures for implementing effective control systems.	5
Learning Objective: 13-06 Identify ways in which organizations use market control mechanisms.	10
Learning Objective: 13-07 Discuss the use of clan control in an empowered organization.	11
Level of Difficulty: Easy	59
Level of Difficulty: Hard	21
Level of Difficulty: Medium	33
Topic: Budgetary Controls Compare Results with a Plan	11
Topic: Bureaucratic Control Systems	37
Topic: Bureaucratic Control Systems; Budgetary Control Compare Results with a Plan	1
Topic: Clan Control Relies on Empowerment and Culture	11
Topic: Financial Controls Include Balance Sheets and Profit and Loss Statements	23
Topic: Managers Can Make Control Systems More Effective	4
Topic: Spinning Out of Control?	16
Topic: The Other Controls: Markets and Clans	10