

B-21.01

Each of the following statements includes a pair of words within parenthesis. Indicate which of the words should be chosen to make the statement true. The first statement is done as an example.

A (~~loan application~~ / budget) is a detailed financial plan that quantifies future expectations and actions relative to acquiring and using resources.

Budgets (should / should not) be used to provide managers with "preapproval" for execution of spending plans.

The (master budget / sales budget) is a comprehensive document specifying sales targets, production activities, and financing actions.

"Responsibility accounting" is a concept under which managers are held accountable for transactions and events (beyond / under) their direct influence and control.

Some entities will follow a top-down (mandated / participative) approach to budgeting.

A deliberate effort to create "breathing room" with a budget is known as ("padding the budget" / "aerating").

With (incremental budgeting / zero-based budgeting), each expenditure item must be justified for the new budget period.

The starting point for the master budget is an assessment of anticipated (sales / production).

This comes before the other: (production budget / materials purchases budget).

A (static budget / flexible budget) is not designed to change with changes in activity level.