



## Chapter 1

# Management accounting in context

**Choose the one alternative that best completes the statement or answers the question.**

1) Management accounting:

- A) focuses on estimating future revenues, costs, and other measures to forecast activities and their results.
- B) reports information in accordance with relevant accounting standards.
- C) provides information to external parties.
- D) provides information that is generally available only on a quarterly or annual basis.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

2) Financial accounting:

- A) reports include detailed information on the various operating segments of the business such as product lines or departments.
- B) focuses on the future and includes activities such as preparing next year's operating budget.
- C) is prepared for the use of department heads and other employees.
- D) must comply with GAAP (generally accepted accounting principles).

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

3) Which of the following is MOST likely to use ONLY financial accounting information?

- A) Vice CEO of operations
- B) Department manager
- C) Current shareholder
- D) Factory shift supervisor

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.



4) The person MOST likely to use management accounting information is a(n):

- A) governmental taxing authority.
- B) banker evaluating a credit application.
- C) assembly department supervisor.
- D) shareholder evaluating a share investment.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

5) Which of the following descriptors refers best to management accounting information?

- A) It is verifiable and reliable.
- B) It is prepared for shareholders.
- C) It is driven by rules.
- D) It provides reasonable and timely estimates.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

6) Which statement refers best to management accounting information?

- A) It primarily measures and records business transactions.
- B) The audience tends to be shareholders, creditors, and tax authorities.
- C) There are no regulations governing the reports.
- D) The reports are generally delayed and historical.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

7) Management accounting information includes:

- A) the cost of producing a product.
- B) tabulated results of customer satisfaction surveys.
- C) the percentage of units produced that are defective.
- D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems



Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

8) Management accountants evaluate the costs and revenue benefits of \_\_\_\_\_ initiatives.

- A) strategic
- B) tactical
- C) operational
- D) TQM

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

9) Which of these types of information are used in management accounting?

- A) Financial information
- B) Information focused on the long term
- C) Non-financial information
- D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

10) Modern cost accounting plays a role in:

- A) planning new products.
- B) controlling costs.
- C) evaluating operational processes.
- D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

11) A data warehouse or infobarn:

- A) is primarily used for financial reporting purposes.
- B) stores information used by different managers for multiple purposes.



- C) gathers only non-financial information.
- D) is reserved for exclusive use by the CFO.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

12) Cost accounting provides all of the following EXCEPT:

- A) pricing information from marketing studies.
- B) information for management accounting and financial accounting.
- C) financial information regarding the cost of acquiring resources.
- D) non-financial information regarding the cost of operational efficiencies.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

13) Financial accounting is concerned PRIMARILY with:

- A) cost planning and cost controls.
- B) providing information for strategic and tactical decisions.
- C) external reporting to investors, creditors, and government authorities.
- D) profitability analysis.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

14) While financial accounting provides a historical perspective, what does management accounting emphasise?

- A) past transactions
- B) the future
- C) reports to shareholders
- D) a current perspective

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role



Learning Objective: 1.1 Describe management accounting and explain its role.

15) Which of the following best describes an Enterprise Resource Planning System?

- A) A database that is primarily used by a purchasing department to determine the correct amount of a particular supply item to purchase
- B) A sophisticated means of linking two or more companies to facilitate their planning processes
- C) A single database that collects data and feeds it into applications that support each of the company's business activities, such as purchases, production, distribution, and sales
- D) A collection of programs that use a variety of unconnected databases

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

16) The approaches and activities of managers in short-run and long-run planning and control decisions that increase value for customers and lower costs of products and services are known as:

- A) enterprise resource planning.
- B) customer value management.
- C) value chain management.
- D) cost management.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

17) Companies report on their approach to maintaining sustainability in:

- A) the report on social responsibility.
- B) the income statement.
- C) the balance sheet.
- D) None of the above.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

18) In most organisations, there are also \_\_\_\_\_ relationships that managers must understand when they attempt to implement their decisions.



- A) informal
- B) strategic
- C) interpersonal
- D) tactical

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

19) What is the PRIMARY criterion when faced with a resource allocation decision?

- A) Cost minimisation
- B) How well the alternative options help achieve organisational goals in relation to the costs incurred for these systems
- C) Reduction in the amount of time required to perform a particular job
- D) Achievement of organisational goals

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

20) Which of the following statements about the cost-benefit approach is TRUE?

- A) Resources should be spent if the costs of a decision outweigh the benefits of the decision.
- B) In a cost-benefit analysis, both costs and benefits are easy to obtain.
- C) Resources should be spent if they are expected to better attain company goals in relation to the expected costs of these resources.
- D) A cost-benefit approach would not be appropriate for a decision to install a budget system or not.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

21) The person(s) directly responsible for attaining organisational objectives is/are:

- A) line management.
- B) the chief financial officer.
- C) the controller.
- D) the treasurer.

Answer: A



AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

22) Where an organisation is large enough to employ both a chief financial officer (CFO) and a management accountant, the management accountant reports to the \_\_\_\_\_ .

A) president

B) board of directors

C) CEO

D) CFO

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

23) What has happened to the differences between staff and line management as teamwork has become more prominent in the last few years?

A) Have increased.

B) Have only been evident in the employee reward system.

C) Have become more important relative to promotions.

D) Have diminished.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

24) The Chartered Institute of Management Accountants (CIMA):

A) issues standards for financial accounting.

B) has its headquarters in the USA.

C) is a professional organisation of management accountants.

D) is a professional organisation of financial accountants.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.



25) What does line management include?

- A) Information-technology managers
- B) Management-accounting managers
- C) Human resource managers
- D) Manufacturing managers

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

26) What does staff management include?

- A) Human resource managers
- B) Distribution managers
- C) Purchasing managers
- D) Manufacturing managers

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

27) Responsibilities of a Chief Financial Officer (CFO ) include all of the following EXCEPT:

- A) chairing the board of directors.
- B) supervising the preparation of tax returns.
- C) managing short-term and long-term financing.
- D) providing financial reports to shareholders.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

28) Who is primarily responsible for management accounting and financial accounting?

- A) CIO (Chief Information Officer)
- B) COO (Chief Operating Officer)
- C) Treasurer
- D) Chief Management Accounting officer or controller

Answer: D

AACSB: Able to analyse and frame problems





Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

29) All of the following report to the Chief Financial Officer (CFO) EXCEPT the:

- A) Production Manager.
- B) Company Secretary.
- C) Chief Management Accountant.
- D) Tax Department Manager.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

30) Examples of the Chief Management Accountant's functions include all EXCEPT:

- A) planning.
- B) investor relations.
- C) operations administration.
- D) budgeting.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

31) Management accounting is an integral part of the \_\_\_\_\_ function in an organisation.

- A) taxation
- B) treasury
- C) internal audit
- D) None of the above.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

32) Management accounting information focuses on external reporting.

Answer: False



AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

33) Cost management is narrowly focused on a continuous reduction of costs.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

34) Managers always require the information in an accounting system to be presented in the same format.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

35) The balance sheet, income statement, and cash flow statement are used for financial accounting, but not for management accounting.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

36) Cost management provides information that helps increase value for customers.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

37) Management accounting has to strictly follow the rules of generally accepted accounting principles for the purposes of measurement and reporting.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role



Learning Objective: 1.1 Describe management accounting and explain its role.

38) An ideal database should consist of data that could be used for a single purpose only.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

39) Cost accounting systems provide information only for management accounting purposes.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

40) Financial accounting reports financial and non-financial information that helps managers implement company strategies.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

41) The use of teams to achieve corporate objectives is increasing.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

42) The chief financial officer (CFO) is usually responsible for banking, short- and long-term financing, investments, and cash management.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.



43) CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) established the Accounting Professional and Ethical Standards Board.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

**Write your answer in the space provided or on a separate sheet of paper.**

44) For each report listed below, identify whether the major purpose of the report is for (1) routine internal reporting, (2) non-routine internal reporting, or for (3) external reporting to investors and other outside parties.

**Item:**

- a. study detailing sale information of the top-ten selling products
- b. weekly report of total sales generated by each store in the metropolitan area
- c. annual report sent to shareholders
- d. monthly report comparing budgeted sales by store to actual sales

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Answer:

- a. (2) non-routine internal reporting
- b. (1) routine internal reporting
- c. (3) external reporting to investors and other outside parties
- d. (1) routine internal reporting

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

45) Describe management accounting and financial accounting.

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Answer:

Management accounting provides information to internal decision makers of the business such as top executives, managers, sales representatives, and production supervisors. Its purpose is to help managers predict and evaluate future results. Reports are generated often and are usually broken down into smaller reporting divisions such as department or product line. There are no rules to be complied with since these reports are for internal use only. Management accounting embraces more extensively such topics as the



development and implementation of strategies and policies, budgeting, special studies and forecasts, influence on employee behaviour, and non-financial as well as financial information.

Financial accounting, by contrast, provides information to external decision makers such as investors and creditors. Its purpose is to present a fair picture of the financial condition of the company. Reports are generated quarterly or annually and report on the company as a whole. The financial statements must comply with GAAP (generally accepted accounting principles). An accountant audits, or verifies, that the GAAP are being followed.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

46) Is financial accounting or management accounting more useful to an operations manager? Why?

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Answer:

Management accounting is more useful to an operations manager because management accounting reports operating results by department or unit rather than for the company as a whole, it includes financial as well as non-financial data such as on-time deliveries and cycle times, and it includes quantitative as well as qualitative data such as the type of rework that was needed on defective units.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

47) Is it possible to have an active cost management program without an Enterprise Resource Planning (ERP) System?

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Answer:

Yes, an active cost management program can occur without an Enterprise Resource Planning (ERP) System. Cost management is a philosophy that guides management in their short-run and long-run planning and control decisions that increase value for customers and lower costs of products and services. Cost management is not dependent on any particular system or database, but it is rather an overall philosophy of operation.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.



48) What competitive advantage could a company obtain from a successful cost management program?

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Answer:

There are three broad outcomes from a successful cost management program: 1) costs are reduced with no loss in customer value. In this scenario, a company might gain a competitive advantage by lowering its price with no loss in profit, or maintain the same price and increase profit; 2) customer value is increased with no change in costs. This scenario might increase customer satisfaction resulting in increased customer loyalty and perhaps increase the overall demand for the product; 3) customer value might be increased while costs are reduced simultaneously. This scenario would result in the benefits described in both 1) and 2).

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

49) Discuss the cost-benefit approach guideline management accountants use to provide value in strategic decision making.

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Answer:

Management accountants continually face resource allocation decisions. The cost-benefit approach should be used in making these decisions. Resources should be spent if the expected benefits to the company exceed the expected costs. The expected benefits and costs may not be easy to quantify, but it is a useful approach for making resource allocation decisions.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

50) Discuss the potential behaviour implications of performance evaluation.

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Answer:



As measurements are made on operations and, especially, on individuals and groups, the behaviour of the individuals and groups are affected. People react to the measurements being made. They will focus on those variables or the behaviour being measured and spend less attention on variables and behaviour that are not measured. In addition, if managers attempt to introduce or redesign cost and performance measurement systems, people familiar with the previous system will resist. Management accountants must understand and anticipate the reactions of individuals to information and measurements. The design and introduction of new measurements and systems must be accompanied with an analysis of the likely reactions to the innovations.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

51) What areas of responsibility does a Chief Financial Officer (CFO) have in a typical organisation?

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Answer:

The responsibilities vary among organisations, but generally include the following areas: controllership, treasury, risk management, taxation, investor relations, and internal audit.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

52) How does a controller help 'control' a company?

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Answer:

By reporting and interpreting relevant data, the controller exerts a force or influence that impels management toward making better-informed decisions.

The controller of Caterpillar described the job as 'a business advisor to...help the team develop strategy and focus the team all the way through recommendations and implementation'.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Moderate

Topic: Management accounting and its role

Learning Objective: 1.1 Describe management accounting and explain its role.

**Choose the one alternative that best completes the statement or answers the question.**

53) \_\_\_\_\_ are those functions, activities or business practices, defined by the market not the company, and as viewed by the customer, that are critical to the vendor/customer relationship.



- A) Operations
- B) Cycles
- C) Tactics
- D) Key success factors

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

54) Key success factors can exist in both the \_\_\_\_\_ areas and the condition or circumstances of the company.

- A) cultural
- B) structural
- C) functional
- D) logistical

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

55) Management accountants calculate a \_\_\_\_\_ cost for a product by subtracting the operating profit per unit of product that the company thinks it can earn from the 'target price'.

- A) reasonable
- B) target
- C) systematic
- D) estimated

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

56) New product development time is the time it takes for \_\_\_\_\_ products to be created and brought to market.

- A) old





- B) obsolete
- C) all
- D) new

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

57) Place the four business functions in the order they appear along the value chain:

A = Customer service

B = Design

C = Distribution

D = Production

- A) B A D C
- B) A B D C
- C) A C D B
- D) B D C A

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

58) What are R&D, production, and customer service as business functions included as part of?

- A) Marketing
- B) Benchmarking
- C) The supply chain
- D) The value chain

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

59) The value chain is the sequence of business functions in which:

- A) value is deducted from the products or services of an organisation.



- B) products and services are evaluated with respect to their value to the supply chain.
- C) usefulness is added to the products or services of an organisation.
- D) value is proportionately added to the products or services of an organisation.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

60) Which of the following involves the generation of, and experimentation with, ideas related to new products, services, or processes?

- A) Design of products, services, or processes
- B) Marketing
- C) Research and development
- D) Production

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

61) Companies use the term \_\_\_\_\_ to describe a strategy that integrates people and technology in all business functions to enhance relationships with customers, partners and distributors.

- A) cost leadership
- B) product differentiation
- C) market penetration
- D) customer relationship management

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

62) \_\_\_\_\_ is the acquisition, coordination, and assembly of resources to produce a product or deliver a service.

- A) Production
- B) Research and development



C) Marketing

D) Customer service

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

63) \_\_\_\_\_ is the manner by which companies promote and sell their products or services to customers or prospective customers.

A) Customer service

B) Distribution

C) Research and development

D) Marketing

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

64) \_\_\_\_\_ is the delivery of products or services to customers.

A) Distribution

B) Production

C) Customer service

D) Design of products, services, or processes

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

65) \_\_\_\_\_ is the after-sale support provided to customers.

A) Marketing

B) Production

C) Customer service

D) Distribution

Answer: C



AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

66) The function in the value chain concerned with promoting and selling products or services to customers is:

- A) marketing.
- B) customer service.
- C) production.
- D) distribution.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

67) Customer relationship management initiatives use technology to coordinate all:

- A) inventory management activities.
- B) production activities.
- C) customer-facing activities.
- D) research activities.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

68) Companies gain (in terms of cost, quality and the speed with which new products are developed) if \_\_\_\_\_ of the individual business functions of the value chain work concurrently as a team.

- A) two or more
- B) one or more
- C) three or more
- D) four or more

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate



Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

69) \_\_\_\_\_ focus on internal activities, practices and functions.

- A) Core competencies
- B) Key success factors
- C) Strategies
- D) Values

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

70) When \_\_\_\_\_ are aligned with key success factors, the value of the business relationship blossoms and grows for the benefit of both the company and the customer.

- A) strategies
- B) values
- C) cores competencies
- D) ethics

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

71) Key success factors can exist in both the \_\_\_\_\_ areas and the condition or circumstances of the company.

- A) dynamic
- B) functional
- C) static
- D) organisational

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the



supply chain, and the dimensions of performance that customers expect.

72) Strategy should focus PRIMARILY on the organisation's:

- A) customers.
- B) products.
- C) employees.
- D) shareholders.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

73) Whose perceptions of the company's products or services are most important to the manager?

- A) chairman of the boards' perception
- B) board of directors' perception
- C) shareholders' perception
- D) customers' perception

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

74) A company needs to be \_\_\_\_\_ to be successful.

- A) 'driven' by the board of directors
- B) management-driven
- C) employee-driven
- D) customer-driven

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

75) Customers generally demand improved performance related to:

- A) both reduced costs and increased quality.



- B) reduced costs.
- C) lower costs, improved quality, and improved customer service.
- D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

76) Customer response time involves:

- A) the time it takes an organisation to develop a Total Quality Management (TQM) program.
- B) the time it takes to develop a new product.
- C) the speed at which an organisation responds to customer requests.
- D) the time it takes a customer to respond to an advertisement and place an order.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

77) Which of the following is NOT a way for a company to improve customer response time?

- A) Produce the product more quickly.
- B) Purchase material in larger quantities.
- C) Increase capacity of bottleneck operations.
- D) Use faster delivery procedures.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

78) \_\_\_\_\_ is a philosophy in which management improves operations throughout the value chain to deliver products and services that exceed customer expectations.

- A) Total quality management
- B) Customer focus
- C) Customer relationship management
- D) Cost-benefit approach



Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

79) By analysing activities, managers are able to integrate and coordinate them across suppliers and customers in the supply chain, as well as across business functions in an individual company's value chain, with a view to reducing costs.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

80) Companies make a strategic decision to create and add value by operating across the entire supply chain for the industry or to select a segment of it.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

81) Beyond the value chain, managers can work with other parties in the supply chain to add value and reduce costs.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

82) Companies gain (in terms of cost, quality and the speed with which new products are developed) if two or more of the individual business functions of the value chain work concurrently as a team.

Answer: True

AACSB: Able to analyse and frame problems





Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

83) The supply chain refers to the sequence of business functions in which customer usefulness is added to products or services.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

84) The value chain refers to the sequence of business functions in which customer usefulness is added to products or services.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

85) An effective way to cut costs is to eliminate activities that do not improve the product attributes that customers value.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

86) For optimal planning success it is best if each business function within the value chain is performed one at a time in sequence.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.



87) For best results, cost management emphasises independently coordinating supply chain activities within your company and not interfering with other companies.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

88) Customers demand increased levels of performance in all aspects of the value chain and the supply chain.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

89) The value chain describes the flow of goods, services, and information from the initial sources of materials and services to the delivery of products to consumers.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

90) The supply chain describes the flow of goods, services, and information from the initial sources of materials and services to the delivery of products to consumers.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

91) The supply chain always occurs within a single organisation.

Answer: False

AACSB: Able to analyse and frame problems



Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

92) Distribution refers to promoting and selling products or services to customers or prospective customers.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

93) The production component of the value chain refers to acquiring, coordinating, and assembling resources to produce a product or deliver a service.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

94) Management accountants might provide information for use in decisions on whether to buy a product from outside or manufacture it in-house.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

95) *Value chain* refers to value to the employee.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.



96) Companies have to follow strict guidelines when designing a management accounting system.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

97) Tracking what is happening in other companies is illegal.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

98) Increased global competition is placing pressure on companies to reduce costs.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

99) Total quality management is a philosophy in which management improves operations throughout the value chain.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

100) Technological innovation has led to longer product life cycles and hence a need to bring new products to market more rapidly.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the



supply chain, and the dimensions of performance that customers expect.

101) Key success factors include cost, quality, timeliness, and innovation.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

102) Key success factors are geared to improving customer satisfaction.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

103) The increasing pace of technological innovation has resulted in longer product life cycles.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

104) Companies around the world are cutting costs by outsourcing some of their business functions.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

105) The management accountant helps managers evaluate investment and R&D decisions.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the



supply chain, and the dimensions of performance that customers expect.

106) Management accountants help managers track performance on the chosen key success factors relative to the performance of itself in previous years.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

107) Successful strategy implementation requires more than value-chain and supply-chain analysis and execution of key success factors.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

**Write your answer in the space provided or on a separate sheet of paper.**

108) Classify each of the following cost items into one of the business functions of the value chain, either (1) R&D, (2) design, (3) production, (4) marketing, (5) distribution, or (6) customer service.

**Item:**

- a. cost of samples mailed to promote sales of a new product
- b. labour cost of workers in the manufacturing plant
- c. bonus paid to a person with a 90% satisfaction rating in handling customers with complaints
- d. transportation costs for shipping products to retail outlets

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Answer:

- a. (4) marketing
- b. (3) production
- c. (6) customer service
- d. (5) distribution

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: The supply chain, the value chain and key success factors



Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

109) Classify each of the following cost items of Ripon Printers into one of the business functions of the value chain, either (1) R&D, (2) design, (3) production, (4) marketing, (5) distribution, or (6) customer service.

**Item:**

- a. cost of customer order forms
- b. cost of paper used in manufacture of books
- c. cost of paper used in packing cartons to ship books
- d. cost of paper used in display at national trade show
- e. depreciation of trucks used to transport books to college bookstores
- f. cost of the wood used to manufacture paper
- g. salary of the scientists attempting to find another source of printing ink
- h. cost of defining the book size so that a standard-sized box is filled to capacity

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Answer:

- a. (4) marketing
- b. (3) production
- c. (5) distribution
- d. (4) marketing
- e. (5) distribution
- f. (3) production
- g. (1) R&D
- h. (2) design

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

110) Describe the value chain and how it can help organisations become more effective.

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Answer:

A value chain is a sequence of business functions whose objective is to provide a product to a customer or provide an intermediate good or service in a larger value chain. These business functions include R&D,



design, production, marketing, distribution, and customer service.

An organisation can become more effective by focusing on whether each link in the chain adds value from the customer's perspective and furthers the organisation's objectives.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

111) In most organisations, customer satisfaction is one of the top priorities. As such, attention to customers is necessary for success. Briefly describe the four types of demands customers are currently placing on organisational performance.

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Answer:

Cost: Organisations are under continuous pressure to reduce the cost of the products or services they sell to their customers.

Quality: Customers are expecting higher levels of quality and are less tolerant of low quality than in the past.

Time: Time has many components: the time taken to develop and bring new products to market; the speed at which an organisation responds to customer requests; and the reliability with which promised delivery dates are met. Organisations are under pressure to complete activities faster and to meet promised delivery dates more reliably than in the past in order to increase customer satisfaction.

Innovation: There is now heightened recognition that a continuing flow of innovative products or services is a prerequisite for the ongoing success of most organisations.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: The supply chain, the value chain and key success factors

Learning Objective: 1.2 Describe the constituents of the value chain, how the value chain relates to the supply chain, and the dimensions of performance that customers expect.

**Choose the one alternative that best completes the statement or answers the question.**

112) An organisation's \_\_\_\_\_ identifies the organisation's purpose objective, its output/market scope and the way it conducts its operations; the output/market scope includes customer groups served, customer functions and technologies used.

A) strategy

B) code of ethics

C) mission statement

D) structure

Answer: C





AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

113) What is the most important planning tool?

A) Budget

B) Goal

C) Performance evaluation report

D) Balanced scorecard

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

114) The process of preparing a budget:

A) forces coordination and communication across business functions.

B) reduces overcapacity.

C) promotes production automation.

D) increases accounting efficiencies.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

115) What does control include?

A) Implementing planning decisions

B) Providing feedback to help with future decision making

C) Evaluating performance

D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

116) A budget:

A) aids in the coordination and communication among various business functions.



- B) is a quantitative expression of a proposed management plan.
- C) helps translate strategy into actions.
- D) All of these answers are correct.

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

117) Although there is a difference between management control and operational control, we simplify to two levels: \_\_\_\_\_ and operational.

- A) strategic
- B) structural
- C) mission
- D) customer service

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

118) Which statement underpins the way in which the organisation conducts business?

- A) Mission
- B) Ethics
- C) Values
- D) Strategy

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

119) Linking rewards to performance:

- A) should only be based on financial information.
- B) helps to motivate managers.
- C) allows companies to charge premium prices.
- D) All of these answers are correct.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate



Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

120) A \_\_\_\_\_, which is a one-sentence statement of the organisation's long-term goal or objective, usually accompanies the mission statement.

- A) vision statement
- B) code of ethics
- C) statement of values
- D) strategic plan

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

121) Which statement concerning performance reports is NOT correct?

- A) The performance report contains no actual results due to confidentiality.
- B) The performance report shows actual performance as compared to the budget.
- C) The performance report often leads to more investigations and action.
- D) The performance report is a feedback tool.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

122) Although a budget is an important planning tool, it is arguably more powerful as a \_\_\_\_\_ tool.

- A) strategic
- B) tactical
- C) operational
- D) control

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

123) Which item is a guideline used by management accountants to assist in strategic and operational decision making?

- A) All are guidelines



- B) Cost-benefit approach
- C) Different costs for different purposes
- D) Behavioural and technical considerations

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

124) The act of simply measuring and reporting information:

- A) has no effect on employee behaviour.
- B) focuses the attention of employees on those processes.
- C) disproves the saying 'What gets measured gets managed'.
- D) diverts employee's attention to other activities.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

125) Which statement is FALSE?

- A) If I can't measure it, I can't manage it.
- B) Employees spend more attention on those variables that are not getting measured.
- C) What gets measured gets managed.
- D) People react to measurements.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

126) Sustainability is 'the ability to continue a defined behaviour indefinitely'.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

127) The emergence of products and services that offer sustainable solutions is another manifestation of



the centrality of sustainability.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

128) To take advantage of changing market opportunities, the annual budget should be strictly enforced.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

129) Linking rewards to performance is a major deterrent to good management performance.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

130) Feedback and learning hinders the future decision-making process.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

131) Control includes deciding what feedback to provide to facilitate future decision making.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

132) When a particular aspect of employee performance is measured, employees pay more attention to it.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions



Learning Objective: 1.3 Describe planning, control and decisions.

133) Management accounting is playing an increasingly important role by helping managers develop and implement strategy.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

134) Employees pay little attention to how their performance is measured.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

135) A budget may be used as a planning tool, but not as a control tool.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

136) The purpose of a budget is strictly technical. It does NOT influence behaviour.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

**Write your answer in the space provided or on a separate sheet of paper.**

137) For each type of report listed below, identify one planning decision and one controlling decision for which the information would be helpful. Assume you are a Harvey Norman store.

**Item:**

- a. annual financial statements for the past three years
- b. report detailing sales by department by each hour of the day for the past week
- c. special study regarding increased road traffic due to the construction of a new shopping mall at a nearby intersection

Answer:

Please note that answers will vary, but may include the following:

- a. Planning: Decision by shareholder about whether to purchase more stock in the company.  
Control: Decision by bank to determine if financial ratios maintained in the line-of-credit (LOC) agreement warrant increasing the LOC amount.
- b. Planning: Decisions regarding future staffing needs.  
Control: Decision regarding whether the recent sales promotion led to an increase in revenue.
- c. Planning: Decision of the store manager about whether to change the types of retail items carried.  
Control: Decision of the store manager regarding performance of the analyst that prepared the special study.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

138) What are externalities?

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Answer:

Externalities are costs that are not paid for by the organisation, but which are caused by its actions e.g., air pollution and water pollution costs. It also includes benefits, other than to customers, which are incidental to the product or service, for which the organisation does not receive revenue. Internalisation of these costs would force managers to consider them along with normal internal costs when making decisions.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

139) Briefly explain the planning and control activities in management accounting, and how these two activities are linked to each other.

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Answer:

Planning business operations relates to designing, producing, and marketing a product or service. This includes preparing budgets and determining the prices and cost of products and services. A company must know the cost of each product and service to decide which products to offer and whether to expand or discontinue product lines.



Controlling business operations includes comparing actual results to the budgeted results and taking corrective action when needed.

Feedback links planning and control. The control function provides information to assist in better future planning.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

140) How can a budget help management implement strategy?

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Answer:

A budget is a planning tool, a quantitative expression of a plan of action. First, actions are planned and then they are communicated to the entire organisation.

The budget also helps with coordination.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

141) How can customer focus result in increased profits for a company?

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Answer:

If customers who provide a company with the most profits are attracted, satisfied, and retained, profits will increase as a result.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Moderate

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

142) Complete a performance report for the month of May 2017, for the *Bathurst Bulletin*, a regional newspaper showing four columns: 1) Actual Result; 2) Budgeted Amount; 3) Difference: Actual Result minus Budgeted Amount; 4) Difference as a Percentage of Budgeted Amount, given the following data:

Advertising pages sold	900
Budgeted advertising pages	910
Advertising revenue	\$4 368 000
Budgeted advertising revenue	\$4 410 000





Does the report indicate any cause for managerial investigation?

Answer:

The performance report should look something like the following:

	Actual Result (1)	Budgeted Amount (2)	Difference (Actual Result - Budgeted Amount) (3) = (1) - (2)	Difference as a Percentage of Budgeted Amount (4) = (3) / (2)
Advertising pages sold	910 pages	900 pages	10 pages favourable	1.1% favourable
Average rate per page (Advertising Revenues)/ (Advertising pages sold)	\$4800	\$4900	\$100 Unfavourable	2.0% Unfavourable
Advertising revenues	\$4 368 000	\$4 410 000	\$42 000 favourable	1.0% favourable

The overall 1% favourable difference in advertising revenue is caused by offsetting differences in advertising pages sold (favourable) and the average rate per page (unfavourable). The performance report highlights the unfavourable drop in the advertising rate per page. While the percentage drop in advertising revenue per page is not dramatic, management might want to investigate the reasons behind such a drop. Some possibilities include: aggressive price reductions to obtain revenue, a general drop in newspaper media spending, some aggressive competition, or an unrealistic budget.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Planning, control and making decisions

Learning Objective: 1.3 Describe planning, control and decisions.

**Choose the one alternative that best completes the statement or answers the question.**

143) Which statement concerning an organisation's strategy is NOT true?

- A) Strategy specifies how an organisation matches its own capabilities with the opportunities in the marketplace to accomplish its objectives.
- B) A good strategy will always overcome poor implementation.
- C) Management accountants provide input to help managers formulate strategy.
- D) Businesses usually follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment



Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

144) There are several approaches that assist in forming strategy, one of which is a(n) \_\_\_\_\_ analysis.

- A) internal
- B) external
- C) SWOT
- D) organisational

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

145) SWOT analysis entails:

- A) an analysis of strengths, weaknesses, opportunities and threats.
- B) how an organisation chooses to compete and highlights the opportunities its managers should evaluate and pursue if advantageous.
- C) showing how management accounting connects with sustainability.
- D) bringing relevant costs and benefits of sustainability to the attention of decision makers in the public arena, such as city councillors or government ministers.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

146) Many managements of businesses follow one of two generic strategies: cost leadership or \_\_\_\_\_.

- A) product differentiation
- B) growth
- C) marketing
- D) pricing

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.



147) \_\_\_\_\_ is an organisation's ability to achieve lower costs relative to competitors through productivity and efficiency improvements, elimination of waste, and tight cost control.

- A) Product differentiating
- B) Cost leadership
- C) Market growth
- D) Product pricing

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

148) In designing strategy, what must a company match the opportunities and threats in the marketplace with?

- A) Branding opportunities
- B) Capabilities of current suppliers
- C) Those of the CFO (Chief Financial Officer)
- D) Its resources and capabilities

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

149) \_\_\_\_\_ is an organisation's ability to offer products or services that its customers perceive to be superior and unique relative to the products or services of its competitors, and to earn a premium based on that differentiation.

- A) Cost leadership
- B) Market growth
- C) Product pricing
- D) Product differentiation

Answer: D

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.



150) External stakeholders include:

- A) managers.
- B) shareholders.
- C) employees.
- D) board of directors.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

151) Strategy does NOT specify how an organisation matches its capabilities with the opportunities in the market place.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

152) In forming strategy, senior management must first thoroughly understand the organisation and its environment.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

153) The best-designed strategies are valuable whether or not they are effectively implemented.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.



154) Managers and employees are internal stakeholders, while external stakeholders include shareholders, lenders, creditors, suppliers, customers, the government and the community at large.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

155) The key to a company's success is always to be the low cost producer in a particular industry.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

156) Managers can assess the potential of a strategy and their ability to achieve their goal by identifying and analysing the strengths and weaknesses inherent in the organisation's capacity and capabilities (internal analysis) and the opportunities and threats prevailing in its environment (external analysis).

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

157) Management accountants should have little or no role in deciding on a company's strategy.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

158) Companies can decide on an appropriate strategy based strictly on internally available information.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment



Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

159) When competition is intense, there are strong potential entrants, there are many similar products in the market, there are few available suppliers, and customers are demanding.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

160) Identifying a company's most important customers does not help formulate strategy.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

161) Globalisation has accelerated as countries enter into trade agreements that reduce barriers and encourage the provision of products and services across national boundaries.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

162) In forming strategy, senior management must first thoroughly understand the organisation and its environment.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

163) Globalisation has accelerated as countries enter into trade agreements that reduce barriers and encourage the provision of products and services across national boundaries.



Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

164) Cost leadership is an organisation's ability to achieve lower costs relative to competitors through productivity and efficiency improvements, elimination of waste, and tight cost control.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

165) Product differentiation is an organisation's ability to offer products or services that its customers perceive to be superior and unique relative to the products or services of its competitors, and to earn a premium based on that differentiation.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

166) Strategic management accounting focuses specifically on strategic issues.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

167) The best-designed strategies and the best-developed capabilities are useless unless they are executed effectively.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: Strategy, the organisation and its environment



Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

**Write your answer in the space provided or on a separate sheet of paper.**

168) Which questions do management accountants help answer in the strategy formulation process?

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Answer:

1. Who are our most important customers, and how do we deliver value to them?
2. What substitute products exist in the marketplace, and how do they differ from our product in terms of price and quality?
3. What is our most critical capability?
4. Will adequate cash be available to fund the strategy, or will additional funds need to be raised?

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

169) What is strategy? Briefly describe the two broad types of strategies that companies may choose to pursue.

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Answer:

Strategy specifies how an organisation matches its own capabilities with the opportunities in the marketplace to accomplish its objectives. In other words, strategy describes how a company will compete. Companies follow one of two broad strategies. One is to provide a QUALITY product or service at LOW prices. The other is to compete on their ability to offer a UNIQUE product or service that is generally offered at a HIGHER price.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

170) Briefly describe how managers make use of management accounting information.

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Answer:

ONE: To choose STRATEGY, to communicate it, and to determine how best to implement it.





TWO: To PLAN business operations related to designing, producing, and marketing a product or service. This includes preparing budgets and determining the prices and cost of products and services. A company must know the cost of each product and service to decide which products to offer and whether to expand or discontinue product lines.

THREE: To CONTROL business operations that includes comparing actual results to the budgeted results and taking corrective action when needed.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

171) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Assume you are opening a small food outlet across the street from your campus. How might that business be operated under each of the two broad strategies? Consider the following specific operational areas:

- a. target customers
- b. products offered
- c. product pricing
- d. location choice
- e. advertising content
- f. advertising media

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Answer:

The purpose of this question is to explore some of the differences in business operations as a result of a broad strategic choice. Answers will differ from student to student, but you should see some specific themes.

Operational Area	Low Price Strategy	Differential Strategy
Target customers	Target customers might be students on a tight budget.	Target customers might be more wealthy students, faculty, or perhaps neighbours who live nearby.
Products offered	Few products, heavy emphasis on tight cost control, probably set up as a high volume operation.	High quality products, probably a reasonable choice, restaurant might have a lot of ambience.



Product pricing	Priced at or lower than the competition in the area.	Higher priced products.
Location choice	Convenient to the target customers.	Not as convenient, perhaps in a higher-end shopping or entertainment area. Customers might seek out the high quality and be willing to travel a bit for it.
Advertising content	Advertising would emphasise the low price of the products offered.	Advertising would emphasise quality or ambience.
Advertising media	Media that would be looked at by the target customers, such as student newspapers.	Media that would be looked at by the target customer, local magazines and newspapers.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.

172) Generally, companies follow one of two broad strategies: offering a quality product at a low price, or offering a unique product or service priced higher than the competition. Is it possible to follow a strategy that is 'in the middle?'

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Answer:

There is some dispute about the correct answer to this question. Some will argue that it is not good for companies to get 'caught in the middle' because the customer might get confused as to whether or not the company is competing on price or is trying to make some other appeal. If the customer is confused about how the company is giving them value, they might perceive they are getting no value and abandon the product to a competitor with a clearer customer value proposition. The other side of the argument is that cost management is a necessary part of any strategy and even if the company chooses to pursue a differential strategy, management of the company should always be seeking ways to manage costs and increase customer value simultaneously regardless of their strategy. The student should be able to articulate one or the other arguments coherently.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: Strategy, the organisation and its environment

Learning Objective: 1.4 Explain the meaning of strategy and the way in which management accounting might influence strategic decisions.



**Choose the one alternative that best completes the statement or answers the question.**

173) Place the five steps in the decision-making process in the correct order:

A = Gather relevant information

B = Make and implement a decision

C = Identify the problem

D = Evaluate performance and learn

E = Identify and evaluate potential courses of action

A) C A E B D

B) D B E A C

C) E D A B C

D) A E B D C

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

174) A well-conceived plan allows managers the ability to:

A) keep lower-level managers from implementing change.

B) take advantage of unforeseen opportunities.

C) not make decisions again until the next planning session.

D) underestimate costs so that actual operating results will be favourable when comparisons are made.

Answer: B

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

175) Most managers are likely to find that an established approach or framework is useful in guiding their decision making.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

176) The first step in the five-step decision-making process is 'gather relevant information'.

Answer: False

AACSB: Able to analyse and frame problems



Difficulty: Basic

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

177) One of the steps in planning is identifying and evaluating potential courses of action.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

178) The last step in the five-step decision-making framework is “make and implement a decision.”

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

**Write your answer in the space provided or on a separate sheet of paper.**

179) In order, list the five steps in the decision-making process.

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Answer:

1. Identify the problem
2. Gather relevant information
3. Identify and evaluate potential courses of action
4. Make and implement a decision
5. Evaluate performance and learn

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

Topic: The five-step guide to decisions

Learning Objective: 1.5 Describe and apply the five-step guide to decisions.

**Choose the one alternative that best completes the statement or answers the question.**

180) Which of the following issues is NOT addressed by the Sarbanes-Oxley legislation?

- A) Improving internal control
- B) Disclosure practices of private companies
- C) Corporate governance
- D) Disclosure practices of public corporations

Answer: B



AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

181) The CIMA Code of Ethics for management accountants includes concepts related to:

- A) experience, integrity, reporting, and objectivity.
- B) competence, performance, integrity, and reporting.
- C) competence, confidentiality, integrity, and professional behaviour.
- D) None of these answers are correct.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

182) Which item is NOT an indication of competence under the CIMA Code of Ethics?

- A) Maintain an appropriate level of professional expertise by continually developing knowledge and skills.
- B) Perform professional duties in accordance with relevant laws, regulations, and technical standards.
- C) Keep information confidential except when disclosure is authorised or legally required.
- D) Provide decision support information and recommendations that are accurate, clear, concise, and timely.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

183) Ethical challenges for management accountants include:

- A) whether to report unfavourable department information that may result in unfavourable consequences for a friend.
- B) whether to accept gifts from suppliers, knowing it is an effort to indirectly influence decisions.
- C) whether to file a tax return this year.
- D) Both A and B are correct.

Answer: D

AACSB: Able to analyse and frame problems



Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

184) Which of the following actions should a management accountant take first in confronting a potential ethical conflict concerning their direct supervisor?

- A) Confront their supervisor directly.
- B) Discuss the situation with their supervisor's direct supervisor.
- C) Review their organisation's procedures concerning resolution of such a conflict.
- D) Inform the Board of Directors of the existence of a potential conflict.

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

185) If there is an ethical conflict concerning your direct supervisor, it may be appropriate to contact all of the following groups EXCEPT:

- A) local media.
- B) audit committee.
- C) board of directors.
- D) executive committee.

Answer: A

AACSB: Able to analyse and frame problems

Difficulty: Moderate

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

186) If there is an ethical conflict concerning your direct supervisor, when is it appropriate to contact authorities or individuals not employed by the organisation?

- A) When your supervisor is about to receive a bonus
- B) When you are about to be terminated
- C) When there is a clear violation of the law
- D) When there is a personal conflict

Answer: C

AACSB: Able to analyse and frame problems

Difficulty: Moderate



Topic: The influence of professional accounting organisations on management accounting  
Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

**Write 'True' if the statement is correct and 'False' if the statement is incorrect.**

187) CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) established the Accounting Professional and Ethical Standards Board (APESB) in 2006 as an independent body to produce the code of ethics and professional standards, and were joined by the Institute of Public Accountants in the following year.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting  
Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

188) The impact of the Sarbanes–Oxley legislation extends beyond the boundaries of the USA to Australian companies that trade with US companies.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting  
Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

189) Accountants have special ethical obligations, given that they are responsible for the integrity of the financial information provided to internal and external parties.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting  
Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

190) The Sarbanes-Oxley legislation in the USA was passed in response to a series of corporate scandals.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting  
Learning Objective: 1.6 Explain the way in which accounting organisations influence management



accountants' conduct and effectiveness and, given the context, apply the code of ethics.

191) The Sarbanes-Oxley legislation does NOT provide a process for employees to report violations of illegal and unethical acts.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

192) Management accountants have important ethical responsibilities that are related to competence, confidentiality, integrity, and credibility.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

193) A managerial accountant should not disclose confidential information to an outside party (such as a newspaper) unless legally obligated to do so.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

194) If a management accountant were not keeping up with current developments in management accounting, that behaviour might violate the requirement for competence in standards for professional ethical behaviour.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.





195) If a management accountant suspected his or her immediate superior of wrongdoing, the management accountant should request an immediate meeting with the Board of Directors.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

196) When faced with a potential ethical conflict, the management accountant should first consult any internal procedures of their organisation.

Answer: True

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

197) When confronted with a potential ethical conflict, a management accountant should not contact his or her personal lawyer concerning rights and obligations.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

198) Most professional accounting organisations around the world do NOT issue statements about professional ethics.

Answer: False

AACSB: Able to analyse and frame problems

Difficulty: Basic

Topic: The influence of professional accounting organisations on management accounting

Learning Objective: 1.6 Explain the way in which accounting organisations influence management accountants' conduct and effectiveness and, given the context, apply the code of ethics.

**Write your answer in the space provided or on a separate sheet of paper.**

199) List four principles of ethical conduct for management accountants. For each principle, give an example that demonstrates compliance with that principle.

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Answer:

Please note that answers may vary, but may include the following:

1. Competence: Maintain an appropriate level of professional expertise by continually developing knowledge and skills
2. Confidentiality: Refrain from using confidential information for unethical or illegal advantage
3. Integrity: Abstain from engaging in or supporting any activity that might discredit the profession
4. Objectivity: Do not allow bias, conflict of interest or undue influence of others to override professional judgement

AASB: Able to communicate effectively orally and in writing

Difficulty: Moderate

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200) You have been employed as an entry-level management accountant for nine months. You suspect that your immediate supervisor is involved in a significant fraud involving the diversion of company assets for personal use. Briefly describe the steps you could take to resolve this dilemma.

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Answer:

The management accountant should first consult any internal company procedures concerning the resolution of ethical issues, and make sure these procedures are followed as closely as possible. At the same time, the management accountant should make sure that the facts are accurate, and are not based on rumours or inaccurate information. If these policies do not resolve the situation, present the facts to the next higher management level. Clarify the relevant ethical issues with an objective advisor (e.g., CPA Australia or The Institute of Chartered *Accountants* in Australia). Consult your own lawyer to be aware of your own rights and responsibilities.

AACSB: Able to communicate effectively orally and in writing

Difficulty: Complex

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