

Chapter 01 Testbank

1. What type of accounting system is part of an organisation's management information system for internal use only?

- A. Financial accounting
- B. Management accounting
- C. Governmental accounting
- D. All of the given answers

2. Which of the following statement/s about management accounting is/are true?

- i. It is a part of an organisation's management information system.
- ii. It is relied on by managers to plan and control an organisation's operations.
- iii. It is relied on by external users to make investment decisions.

- A. i and ii
- B. i, ii and iii
- C. iii
- D. ii

3. Which of the following statement/s about management accounting is/are true?

- i. It is concerned only with information obtained from the accounting records.
- ii. It is concerned with financial and non-financial information.
- iii. It can provide information useful for making decisions.

- A. i
- B. i and ii
- C. ii and iii
- D. ii

4. A strategy is:

- i. another name for a long-term objective.
- ii. the same as an objective.
- iii. a means by which an organisation plans to meet its mission and achieve its objectives.

- A. i
- B. ii
- C. iii
- D. i and ii

5. Which of the following is not an objective of management accounting?

- A. Providing information for making decisions
- B. Providing information for planning
- C. Providing information for control
- D. Providing information for profit and loss statements

6. Planning is:

- A. comparing actual performance against targets.
- B. setting objectives and formulating plans for future operations.
- C. measuring the performance of managers against preset targets.
- D. motivating managers towards achieving organisational goals.

7. 'Control' involves:

- A. formulating details of operations and finances for the next financial year.
- B. comparing actual performance against targets.
- C. deciding whether to expand activities.
- D. All of the given answers

8. Part of the planning process involves:

- A. formulating details of operations and finances for the next financial year.
- B. comparing actual performance against targets.
- C. making a choice between available alternatives.
- D. measuring the performance of managers against preset targets.

9. The role of management accounting is to:

- A. provide information to parties outside the organisation.
- B. provide information to managers within the organisation.
- C. provide information to government agencies.
- D. All of the given answers

10. Budgeting can be used in an organisation to:

- A. motivate managers to achieve organisational goals.
- B. control operations.
- C. provide managers with information for making decisions and planning.
- D. All of the given answers

11. The benefits of management accounting information include:

- A. improved decisions.
- B. more effective planning.
- C. greater efficiency of operations.
- D. All of the given answers

12. Management accounting:

- A. must comply with Australian accounting standards.
- B. focuses primarily on the needs of managers internal to the organisation.
- C. provides information for parties external to the organisation.
- D. involves reports focusing on the enterprise in its entirety.

13. Which of the following is necessary for management accounting information to be useful?

- A. It must report to external users.
- B. It must develop a framework of principles and guidelines.
- C. It must adapt to accommodate changes in the business environment.
- D. It must focus on the enterprise in its entirety.

14. Both financial and management accounting:

- A. draw on data from the organisation's basic information system.
- B. provide information for external users.
- C. must comply with Australian accounting standards.
- D. rely exclusively on historical data.

15. Which of the following statements regarding management accounting information is false?

- A. The cost of providing the information must be considered in the light of the benefits received from the information.
- B. All information derived is necessary despite the cost.
- C. The information entails both costs and benefits.
- D. The cost of the information includes the time spent by the user to read, understand and use the information.

16. A management accountant should be concerned with:

- A. providing daily information on physical measures of operational performance.
- B. assisting in interdepartmental communications.
- C. developing and implementing information systems.
- D. All of the given answers

17. The largest professional organisation for management accountants in Australia is the:

- A. CPA Australia.
- B. Australian Accounting Association.
- C. Institute of Chartered Accountants in Australia.
- D. Certified Institute of Management Accountants.

18. Which of the following does not represent the ethics of professional accountants?

- A. Competence and confidentiality
- B. Integrity and objectivity
- C. Professional scepticism and efficiency
- D. Objectivity and confidentiality

19. Which of the following statements regarding the competence of an accountant is true?
The accountant must:

- A. strive continually to improve technical services and keep knowledge up-to-date.
- B. not breach the trust of clients and employers.
- C. not disclose information acquired in the course of professional work, except where there is a legal or professional duty to disclose.
- D. at all times safeguard the interest of the clients and employers, provided it does not conflict with their duty to the community.

20. Which of the following statements is an element of confidentiality?

- i. Accountants must not disclose information acquired in the course of their work.
- ii. Accountants must disclose information if there is a professional duty to do so.
- iii. Accountants may not use information gained in the course of their work for their own or another's personal advantage.

- A. i
- B. ii
- C. iii
- D. i, ii and iii

21. The focus of management accounting over time has changed. Which is the correct historical order for the following foci?

- i. Cost
- ii. Profitability

iii. Resource management

iv. Waste reduction

- A. i, ii, iii and iv
- B. ii, iii, i and iv
- C. i, ii, iv and iii
- D. i, iii, iv and ii

22. Which of the following statement/s is/are false? Management accountants should:

- i. help in the provision of physical data to managers.
- ii. be included in the management of information systems.
- iii. present their information in monetary terms only.
- iv. help to ensure effective interdepartmental communications.

- A. i and ii
- B. iii and iv
- C. iii
- D. iv

23. Which of the following are management accounting responses to the changing business environment?

- A. Activity-based costing
- B. E-commerce
- C. Supplier cost analysis
- D. A and C

24. Which of the following are ethical standards for management accountants?

- i. Competence
- ii. Objectivity
- iii. Confidentiality
- iv. Integrity

- A. i, ii, iii and iv
- B. ii, iii and iv
- C. i, ii and iv
- D. i, iii and iv

25. The costs of providing information to management should be less than the benefits. Which of the following are costs of management accounting information?

- i. Salary cost of management accounting personnel
- ii. Computer operating costs
- iii. Managers' time in reading and acting on the information

- A. i, ii and iii
- B. ii and iii only
- C. i and iii only
- D. None of the given answers

26. Which of the following statements is correct?

- A. The primary objective of a firm's management is to increase the firm's value.
- B. The management accounting system needs to accumulate information from both internal and external sources.
- C. Managers may be faced with a conflict between increasing customer value and increasing shareholder value.
- D. All the given answers

27. Strategies:

- A. are directions that a firm intend to take in the long term.
- B. describe the way the firm competes.
- C. are the same as objectives and goals.
- D. are independent of the firm's mission statement.

28. Which of the following statements is correct?

- A. Management accounting is a subset of cost accounting.
- B. Cost accounting is a subset of management accounting.
- C. Cost accounting is no longer required in today's competitive environment.
- D. Management accounting in today's environment is the same as it was many years ago.

29. Which of the following is the most logical sequence for a *commencing* organisation?

- A. Control, feedback, planning
- B. Planning, control, feedback
- C. Feedback (feedforward), planning, control, feedback
- D. Control, planning, feedback

30. Choose the statement that best completes this sentence: 'Traditional management

accounting focuses on ...'

- A. budgets, financial performance measures and cost control.
- B. financial performance measures, external reporting and cost elimination.
- C. non-financial performance measures, external reporting and cost control.
- D. external reporting, labour-related activity measures and cost elimination.

31. Which of the following would **not** be likely as a consistent focus for a firm following a product differentiation strategy?

- A. Quality
- B. Delivery
- C. Product innovation
- D. Cost reduction

32. Choose the statement that best completes this sentence: 'All management accounting information ...'

- A. has a focus on past costs.
- B. has a focus on future costs.
- C. is collected as required by internal management of the firm.
- D. is constrained by the requirements of the Australian Accounting Standards.

33. Which of the following statements is correct?

- A. A financial controller is only responsible for financial accounting.
- B. The primary role of the finance function of an organisation is to liaise with banks and financial intuitions to obtain finance to fund operations.
- C. In some organisations, management accountants are located in factories.
- D. Management accountants are responsible for external reporting as well as providing information to internal managers.

34. The 'vision' of an organisation:

- A. refers to the desired future state of an organisation.
- B. refers to a statement that defines the purpose of the organisation.
- C. refers to specific statements of objective, upon which goals can be set.
- D. is only useful for not-for-profit organisations.

35. Animus Ltd is a mining company. Which of the following is an example of a decision relating to formulating Animus Ltd's corporate strategy?

- A. Should Animus Ltd operate in the mining industry only, or expand to heavy machinery manufacturing and distribution?
- B. Should Animus Ltd compete based on price or product differentiation?
- C. Should Animus Ltd hire a new financial controller?

D. Should Animus Ltd develop a new management accounting system?

36. Animus Ltd is a mining company. Which of the following is an example of a business strategy decision?

- A. Should Animus Ltd operate in the mining industry only or expand to heavy machinery manufacturing and distribution?
- B. Should Animus Ltd compete based on price or product differentiation?
- C. Should Animus Ltd hire a new financial controller?
- D. Should Animus Ltd develop a new management accounting system?

37. Animus Ltd is a mining company. Which of the following is an example of 'planning'?

- A. Awarding bonuses to Animus Ltd's top-performing executives
- B. Setting production targets for the company's new mines
- C. Developing correction actions to respond to lower-than-expected production levels in the existing mines
- D. Pursuing legal actions against environmental activists who stole mining equipment

38. Animus Ltd is a mining company. Which of the following is an example of 'control'?

- A. Awarding bonuses to Animus Ltd's top-performing executives
- B. Setting production targets for the company's new mines
- C. Developing correction actions to respond to lower-than-expected production levels in the existing mines
- D. Pursuing legal actions against environmental activists who stole mining equipment

39. Animus Ltd is a mining company operating in Australia. The company has recently developed a new environmental management accounting system. According to institutional theory:

- A. the new system is likely to be the result of the Australian culture of being environmentally conscious and the fact that negative environmental impacts can result in significant fines to the company.
- B. the new system is likely to be the result of gaining legitimacy and to imitate other mining companies who are 'doing the right thing'.
- C. the new system is likely to be the result of stringent government regulations.
- D. the new system is likely to be the result of careful, rational, cost-benefit analysis.

40. Eddy Gunn is a management accountant. Which of the following is most likely to be Eddy's responsibility?

- A. Providing an environmental assurance report for his company's shareholders
- B. Compiling the company tax return
- C. Ensuring that the internal accounting system is compliant with generally accepted accounting standards

D. Developing a production cost report for each of the company's three production lines

41. Which of the following is not a widely recognised professional accounting body?

- A. The Institute of Production Accountants
- B. CPA Australia
- C. The Institute of Chartered Accountants
- D. The Institute of Management Accountants

42. Which of the following changes in the business environment have led to the emergence of virtual organisations?

- A. Rapid advances in technology
- B. Increases in outsourcing and reliance on various forms of business networks
- C. Increased global mobility in labour
- D. Reliance on creating mutually strategic business alliances

43. Which of the following changes in the business environment have led to more complicated relationships and business structures?

- A. Rapid advances in technology
- B. Increases in outsourcing and reliance on various forms of business networks
- C. Increased global mobility in labour
- D. Reliance on creating mutually strategic business alliances

44. Management accounting focuses on:

- A. compliance with the accounting standards.
- B. meeting the needs of external users.
- C. effective and efficient management of resources.
- D. financial data only.

45. Modern management accounting systems include techniques that support an organisation's:

- A. strategy.
- B. mission.
- C. goals.
- D. decisions.

46. If a firm's senior management decide to follow a differentiation strategy, their focus should be to **not** concentrate on:

- A. product quality.
- B. product delivery.
- C. product innovation.

D. product costs.

47. The firm's primary accounting system that produces financial data for external users is governed by:

- A. accounting standards.
- B. All of the given answers
- C. generally accepted accounting principles.
- D. traditional accounting conventions.

48. Which of the following would **not** be part of a value chain for a fast food restaurant?

- A. All the given answers
- B. Buying produce
- C. Mopping the floor
- D. Refilling the napkin dispensers
- E. Hiring new cooks

49. Strategic cost management is:

- A. the process of determining cost drivers.
- B. the recognition of the importance of cost relationships among the activities in the value chain.
- C. the process of managing cost relationships to the firm's advantage.
- D. cost-causing factors.
- E. the recognition of the importance of cost relationships among the activities in the value chain and the process of managing cost relationships to the firm's advantage

50. Managerial accounting activity comprises a set of tools, systems and perspectives that add value to an organisation by supporting five major objectives. Which one of these is **not** a supporting objective?

- A. Provide information for decision making and planning.
- B. Assist managers in directing and controlling operational activities.
- C. Motivate managers and other employees towards the organisation's goals.
- D. Assess an organisation's competitive position and long-term managerial efforts.
- E. Focus on activities that occur at the top level of the organisation.

51. Because managerial accounting reports rarely solve decision problems, what function does a managerial accountant use to assist managers in understanding issues contained within the information produced?

- A. Internal business solution function
- B. Learning and growth function
- C. Theoretical capacity function
- D. Customer function

E. Attention directing function

52. Which of the following is **not** an ethical standard of managerial accounting?

- A. Competence
- B. Confidentiality
- C. Efficiency
- D. Integrity
- E. Credibility

53. Using fewer resources to achieve an organisational objective is consistent with which type of outcome?

- A. Efficiency
- B. Effectiveness
- C. Profitability
- D. All of the given answers
- E. None of the given answers

54. The issue of an organisation's impact on the environment and local community is one of:

- A. information analysis and management accounting techniques.
- B. sustainability.
- C. technological innovation.
- D. human resources.
- E. technological innovation.

55. The relationship between shareholder value and customer value:

- A. is positive.
- B. is inverse.
- C. does not exist.
- D. can be positive OR inverse.
- E. None of the given answers

56. An organisation's non-financial resources:

- A. include employees, work processes and committed customers.
- B. are critical to its future prosperity and survival.
- C. are consistent with an assessment of its capabilities and competencies.
- D. All of the given answers
- E. None of the given answers

57. An organisation's accounting systems:

- A. include elements of both financial accounting and management accounting.
- B. can be used for measuring costs and other organisational resources.
- C. All of the given answers
- D. None of the given answers

58. Organisational strategies:

- A. may be different at the competitive strategy level where the firm has more than one distinct business unit.
- B. at the whole of firm level are regarded as competitive strategies.
- C. should not be influenced by shareholder and securities market expectations.
- D. All of the given answers

59. Organisations can gain a competitive advantage by adopting a business strategy of:

- A. product differentiation.
- B. cost leadership.
- C. None of the given answers
- D. All of the given answers

60. Management accountants in Australia:

- A. are likely to join CPA Australia.
- B. can become members of international accounting associations, such as the US IMA.
- C. must hold eligible accounting qualifications in order to join CA ANZ, CPA Australia and/or the IPA.
- D. All of the given answers
- E. None of the given answers

61. CPAs, CAs and members of the IPA:

- A. are required to adhere to ethical codes of conduct.
- B. have the opportunity to participate in conferences, seminars and specialist discussion groups in order to keep up to date with developments in their field.
- C. can gain valuable contact with other management accountants working in various organisations
- D. All of the given answers

62. Financial reporting and management accounting information:

- A. must not be so exhaustive that managers overlook important details.
- B. cannot be readily quantified in terms of costs.
- C. provide intangible benefits that can be readily quantified.
- D. All of the given answers

63. What is meant by the following statement? 'The objectivity of the management accounting process is largely a myth.'

64. Give an example of management accounting information that could help a manager make each of the following decisions:

- i. The managing director of a car rental company is deciding whether to add luxury cars to the rental car fleet.
- ii. The production manager in an assembly plant is deciding whether to have routine maintenance performed on a machine weekly or fortnightly.
- iii. The manager of a department store is deciding on the number of security personnel to employ to reduce shoplifting.
- iv. The local council is deciding whether to build an addition to the local library.

65. Explain how the management accountant, with the use of computer technology, can provide information that will be useful for the management and control of operational tasks.

66. 'As global competition increases, businesses are being pressured to reach higher levels of productivity to price their products and services competitively.' Explain how management accountants can play a role in helping management meet these challenges.

67. List and define four ethical standards that are part of the IFAC's Code of Professional Conduct.

68. Jasmine Dol is a junior management accountant at Hey Hey Toys Ltd. Jasmine is given the task of compiling a cost-benefit analysis report on whether the company should purchase an expensive new machine from Beta Ltd, where her brother is the new sales manager. Jasmine did not tell anyone in Hey Hey Toys about her brother's new job. In preparing her report, Jasmine overstates the qualitative benefits and understates the costs associated with this new machine, in order to help her brother make his first sale as the new sales manager.

Discuss why and how Jasmine has deviated from the IFAC's code of ethics.

69. Identify and contrast management accounting and financial accounting information.

70. Give examples of each of the four primary management activities in the context of a

national pizza franchise.

71. Consider the descriptors that follow.

1. Is heavily involved with the recordkeeping and reporting of assets, liabilities, and stockholders' equity.
2. Focuses on planning, decision making, directing, and control.
3. Is heavily regulated.
4. A field that is becoming more 'cross-functional' in nature.
5. Much of the field is based on costs and benefits.
6. Is involved almost exclusively with past transactions and events.
7. Much of the information provided is directed toward stockholders, financial analysts, creditors and other external parties.
8. Tends to focus more on subunits within an entity rather than the organisation as a whole.
9. May become involved with measures of customer satisfaction, and the amount of actual cost incurred versus budgeted targets.

Required

Determine whether the descriptors are most closely associated with financial accounting or managerial accounting.

72. Tae Franklin is the sales manager of Darius Enterprises, a very profitable distributor of office furniture to local businesses. A recent economic downturn has created an extremely tight cash position, and the company has been hurt by the bankruptcy of two key customers.

In late October, anticipating an economic recovery, Franklin began an extensive remodelling of the company's sales floor. Construction costs, decorating and equipment purchases are projected to cost \$250 000.

Darius has a policy that individual expenditures in excess of \$200 000 must be approved by the firm's board of directors. Franklin, unfortunately, missed the deadline to have the board consider this project at its regular September meeting. Not wanting to wait until the next meeting in December, he subdivided the project in two parts—construction and decorating (\$190 000) and equipment purchases (\$60,000)—neither of which needed board approval because of the dollar amounts involved. The project was recently completed and sales have begun to recover. Customers have raved about the new sales area, noting that it is far superior to those of Darius's competitors.

Required

- A. Would Franklin's approach of subdividing the project in two parts have any effect on the company's financial statements? Briefly explain.
- B. Briefly discuss whether Franklin behaved in an ethical manner.
- C. Which, if any, of the following standards of conduct would have applicability to Franklin's conduct: competence, confidentiality, integrity or credibility? Briefly

explain.

73. How can management accountants quantify their contribution to shareholder value?

74. Outline the potential impact of big data on the role of the management accountant.

75. The 'timing' element is a point of difference between accounting management and financial management. Outline the timing differences between the two systems in terms of their focus on costs and the timeliness of the information they provide.

76. What is strategy implementation? Provide examples.

77. Management accountants provide regular supporting information to managers to enable them to make frequent decisions about business activities, but they must also be flexible enough to provide information to support managers' non-routine decisions. Give examples of non-routine business decisions that the management accountant may need to provide information to support.

78. Behavioural issues are not taken into consideration when developing management accounting systems.

True False

79. Organisations prepare a mission statement that describes the desired future position and/or goals of the organisation.

True False

80. The systems and procedures implemented to provide regular information to assist with control are called control systems.

True False

81. When a firm adopts a strategy of being a low-cost producer and sells its products at a price lower than its competitors, the firm is said to be using a strategy of cost leadership.

True False

82. The theory that suggests that a firm's management accounting system is influenced by factors such as the external environment and technology is called contingency theory.

True False

83. There is no overlap between the two accounting streams management and financial accounting.

True False

84. The increased information needs of modern organisations have meant that management accounting has had to change its focus over the years.

True False

85. The costing system is the part of the accounting information system that is common to both financial and management accounting.

True False

86. Accountants with a CPA qualification are only able to work as financial accountants.

True False

87. Staff management and line management both have indirect responsibilities to the operations of an organisation.

True False

88. Value creation is a central focus for managers and only refers to shareholder value.

True False

89. Senior accountants are also known as finance managers or financial controllers.

True False

90. Budgets provide information to help manage resources and are supported by the financial accounting function.

True False

91. Non-value-added costs are the costs of activities that can be eliminated with no deterioration of product quality, performance or perceived value.

True False

92. Decision making requires managers to choose among the available alternatives.

True False

Chapter 01 Testbank Key

1. What type of accounting system is part of an organisation's management information system for internal use only?

- A. Financial accounting
- B. Management accounting
- C. Governmental accounting
- D. All of the given answers

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: What is management accounting?

2. Which of the following statement/s about management accounting is/are true?

- i. It is a part of an organisation's management information system.
- ii. It is relied on by managers to plan and control an organisation's operations.
- iii. It is relied on by external users to make investment decisions.

- A. i and ii
- B. i, ii and iii
- C. iii
- D. ii

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

3. Which of the following statement/s about management accounting is/are true?

- i. It is concerned only with information obtained from the accounting records.
- ii. It is concerned with financial and non-financial information.
- iii. It can provide information useful for making decisions.

- A. i
- B. i and ii
- C. ii and iii
- D. ii

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

4. A strategy is:

- i. another name for a long-term objective.
- ii. the same as an objective.
- iii. a means by which an organisation plans to meet its mission and achieve its objectives.

- A. i
- B. ii
- C. iii
- D. i and ii

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

5. Which of the following is not an objective of management accounting?

- A. Providing information for making decisions
- B. Providing information for planning
- C. Providing information for control
- D. Providing information for profit and loss statements

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

6. Planning is:

- A. comparing actual performance against targets.
- B. setting objectives and formulating plans for future operations.
- C. measuring the performance of managers against preset targets.
- D. motivating managers towards achieving organisational goals.

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

7. 'Control' involves:

- A. formulating details of operations and finances for the next financial year.
- B. comparing actual performance against targets.
- C. deciding whether to expand activities.
- D. All of the given answers

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

8. Part of the planning process involves:

- A. formulating details of operations and finances for the next financial year.
- B. comparing actual performance against targets.
- C. making a choice between available alternatives.
- D. measuring the performance of managers against preset targets.

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

9. The role of management accounting is to:

- A. provide information to parties outside the organisation.
- B. provide information to managers within the organisation.
- C. provide information to government agencies.
- D. All of the given answers

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

10. Budgeting can be used in an organisation to:

- A. motivate managers to achieve organisational goals.
- B. control operations.
- C. provide managers with information for making decisions and planning.
- D. All of the given answers

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

11. The benefits of management accounting information include:

- A. improved decisions.
- B. more effective planning.
- C. greater efficiency of operations.
- D. All of the given answers

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

12. Management accounting:

- A. must comply with Australian accounting standards.
- B. focuses primarily on the needs of managers internal to the organisation.

- C. provides information for parties external to the organisation.
- D. involves reports focusing on the enterprise in its entirety.

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

13. Which of the following is necessary for management accounting information to be useful?

- A. It must report to external users.
- B. It must develop a framework of principles and guidelines.
- C. It must adapt to accommodate changes in the business environment.
- D. It must focus on the enterprise in its entirety.

Ans: C

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.10 Identify the organisational responses and management accounting responses to changes in the business environment

Topic: Management accounting responses to the changing business environment

14. Both financial and management accounting:

- A. draw on data from the organisation's basic information system.
- B. provide information for external users.
- C. must comply with Australian accounting standards.
- D. rely exclusively on historical data.

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

15. Which of the following statements regarding management accounting information is false?

- A. The cost of providing the information must be considered in the light of the benefits received from the information.
- B. All information derived is necessary despite the cost.
- C. The information entails both costs and benefits.

D. The cost of the information includes the time spent by the user to read, understand and use the information.

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

16. A management accountant should be concerned with:

- A. providing daily information on physical measures of operational performance.
- B. assisting in interdepartmental communications.
- C. developing and implementing information systems.
- D. All of the given answers

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.04 Explain where management accountants are located in organisations

Topic: Management accountants within organisations

17. The largest professional organisation for management accountants in Australia is the:

- A. CPA Australia.
- B. Australian Accounting Association.
- C. Institute of Chartered Accountants in Australia.
- D. Certified Institute of Management Accountants.

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

18. Which of the following does not represent the ethics of professional accountants?

- A. Competence and confidentiality
- B. Integrity and objectivity
- C. Professional scepticism and efficiency
- D. Objectivity and confidentiality

Ans: C

AACSB: Ethics

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

19. Which of the following statements regarding the competence of an accountant is true?
The accountant must:

- A. strive continually to improve technical services and keep knowledge up-to-date.
- B. not breach the trust of clients and employers.
- C. not disclose information acquired in the course of professional work, except where there is a legal or professional duty to disclose.
- D. at all times safeguard the interest of the clients and employers, provided it does not conflict with their duty to the community.

Ans: A

AACSB: Ethics

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

20. Which of the following statements is an element of confidentiality?

- i. Accountants must not disclose information acquired in the course of their work.
- ii. Accountants must disclose information if there is a professional duty to do so.
- iii. Accountants may not use information gained in the course of their work for their own or another's personal advantage.

- A. i
- B. ii
- C. iii
- D. i, ii and iii

Ans: D

AACSB: Ethics

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

21. The focus of management accounting over time has changed. Which is the correct historical order for the following foci?

- i. Cost
- ii. Profitability
- iii. Resource management
- iv. Waste reduction

- A. i, ii, iii and iv
- B. ii, iii, i and iv
- C. i, ii, iv and iii
- D. i, iii, iv and ii

Ans: C

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.11 After studying the appendix, describe how the focus of management accounting has evolved

Topic: Evolution and change in management accounting

22. Which of the following statement/s is/are false? Management accountants should:

- i. help in the provision of physical data to managers.
- ii. be included in the management of information systems.
- iii. present their information in monetary terms only.
- iv. help to ensure effective interdepartmental communications.

- A. i and ii
- B. iii and iv
- C. iii
- D. iv

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

23. Which of the following are management accounting responses to the changing business environment?

- A. Activity-based costing
- B. E-commerce
- C. Supplier cost analysis
- D. A and C

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.10 Identify the organisational responses and management accounting responses to changes in the business environment

Topic: Management accounting responses to the changing business environment

24. Which of the following are ethical standards for management accountants?

- i. Competence
- ii. Objectivity
- iii. Confidentiality
- iv. Integrity

- A. i, ii, iii and iv
- B. ii, iii and iv
- C. i, ii and iv
- D. i, iii and iv

Ans: A

AACSB: Ethics

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

25. The costs of providing information to management should be less than the benefits. Which of the following are costs of management accounting information?

- i. Salary cost of management accounting personnel
- ii. Computer operating costs
- iii. Managers' time in reading and acting on the information

- A. i, ii and iii
- B. ii and iii only
- C. i and iii only
- D. None of the given answers

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

26. Which of the following statements is correct?

- A. The primary objective of a firm's management is to increase the firm's value.
- B. The management accounting system needs to accumulate information from both internal and external sources.
- C. Managers may be faced with a conflict between increasing customer value and increasing shareholder value.
- D. All the given answers

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

27. Strategies:

- A. are directions that a firm intend to take in the long term.
- B. describe the way the firm competes.
- C. are the same as objectives and goals.
- D. are independent of the firm's mission statement.

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

28. Which of the following statements is correct?

- A. Management accounting is a subset of cost accounting.
- B. Cost accounting is a subset of management accounting.
- C. Cost accounting is no longer required in today's competitive environment.
- D. Management accounting in today's environment is the same as it was many years ago.

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

29. Which of the following is the most logical sequence for a *commencing* organisation?

- A. Control, feedback, planning
- B. Planning, control, feedback
- C. Feedback (feedforward), planning, control, feedback
- D. Control, planning, feedback

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

30. Choose the statement that best completes this sentence: 'Traditional management accounting focuses on ...'

- A. budgets, financial performance measures and cost control.
- B. financial performance measures, external reporting and cost elimination.
- C. non-financial performance measures, external reporting and cost control.
- D. external reporting, labour-related activity measures and cost elimination.

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.10 Identify the organisational responses and management accounting responses to changes in the business environment

Topic: Management accounting responses to the changing business environment

31. Which of the following would **not** be likely as a consistent focus for a firm following a product differentiation strategy?

- A. Quality
- B. Delivery
- C. Product innovation
- D. Cost reduction

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

32. Choose the statement that best completes this sentence: 'All management accounting information ...'

- A. has a focus on past costs.
- B. has a focus on future costs.
- C. is collected as required by internal management of the firm.
- D. is constrained by the requirements of the Australian Accounting Standards.

Ans: C

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

33. Which of the following statements is correct?

- A. A financial controller is only responsible for financial accounting.
- B. The primary role of the finance function of an organisation is to liaise with banks and financial intuitions to obtain finance to fund operations.
- C. In some organisations, management accountants are located in factories.
- D. Management accountants are responsible for external reporting as well as providing information to internal managers.

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.04 Explain where management accountants are located in organisations

Topic: Management accountants within organisations

34. The 'vision' of an organisation:

- A. refers to the desired future state of an organisation.
- B. refers to a statement that defines the purpose of the organisation.
- C. refers to specific statements of objective, upon which goals can be set.
- D. is only useful for not-for-profit organisations.

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

35. Animus Ltd is a mining company. Which of the following is an example of a decision relating to formulating Animus Ltd's corporate strategy?

- A. Should Animus Ltd operate in the mining industry only, or expand to heavy machinery manufacturing and distribution?
- B. Should Animus Ltd compete based on price or product differentiation?
- C. Should Animus Ltd hire a new financial controller?
- D. Should Animus Ltd develop a new management accounting system?

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

36. Animus Ltd is a mining company. Which of the following is an example of a business strategy decision?

- A. Should Animus Ltd operate in the mining industry only or expand to heavy machinery manufacturing and distribution?
- B. Should Animus Ltd compete based on price or product differentiation?
- C. Should Animus Ltd hire a new financial controller?
- D. Should Animus Ltd develop a new management accounting system?

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

37. Animus Ltd is a mining company. Which of the following is an example of 'planning'?

- A. Awarding bonuses to Aimus Ltd's top-performing executives
- B. Setting production targets for the company's new mines
- C. Developing correction actions to respond to lower-than-expected production levels in the existing mines
- D. Pursuing legal actions against environmental activists who stole mining equipment

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

38. Animus Ltd is a mining company. Which of the following is an example of 'control'?

- A. Awarding bonuses to Aimus Ltd's top-performing executives
- B. Setting production targets for the company's new mines
- C. Developing correction actions to respond to lower-than-expected production levels in the existing mines
- D. Pursuing legal actions against environmental activists who stole mining equipment

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

39. Animus Ltd is a mining company operating in Australia. The company has recently developed a new environmental management accounting system. According to institutional theory:

- A. the new system is likely to be the result of the Australian culture of being environmentally conscious and the fact that negative environmental impacts can result in significant fines to the company.
- B. the new system is likely to be the result of gaining legitimacy and to imitate other mining companies who are 'doing the right thing'.
- C. the new system is likely to be the result of stringent government regulations.
- D. the new system is likely to be the result of careful, rational, cost-benefit analysis.

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

40. Eddy Gunn is a management accountant. Which of the following is most likely to be Eddy's responsibility?

- A. Providing an environmental assurance report for his company's shareholders
- B. Compiling the company tax return
- C. Ensuring that the internal accounting system is compliant with generally accepted accounting standards
- D. Developing a production cost report for each of the company's three production lines

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

41. Which of the following is not a widely recognised professional accounting body?

- A. The Institute of Production Accountants
- B. CPA Australia
- C. The Institute of Chartered Accountants
- D. The Institute of Management Accountants

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

42. Which of the following changes in the business environment have led to the emergence of virtual organisations?

- A. Rapid advances in technology
- B. Increases in outsourcing and reliance on various forms of business networks
- C. Increased global mobility in labour
- D. Reliance on creating mutually strategic business alliances

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years

Topic: Australasian organisations in the twenty-first century

43. Which of the following changes in the business environment have led to more complicated relationships and business structures?

- A. Rapid advances in technology
- B. Increases in outsourcing and reliance on various forms of business networks
- C. Increased global mobility in labour
- D. Reliance on creating mutually strategic business alliances

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years

Topic: Australasian organisations in the twenty-first century

44. Management accounting focuses on:

- A. compliance with the accounting standards.
- B. meeting the needs of external users.
- C. effective and efficient management of resources.
- D. financial data only.

Ans: C

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.05 Describe the major processes that management accounting systems use to create value and manage resources

Topic: Management accounting processes and techniques

45. Modern management accounting systems include techniques that support an organisation's:

- A. strategy.
- B. mission.
- C. goals.
- D. decisions.

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource

management

Topic: Management accounting for planning and control

46. If a firm's senior management decide to follow a differentiation strategy, their focus should be to **not** concentrate on:

- A. product quality.
- B. product delivery.
- C. product innovation.
- D. product costs.

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

47. The firm's primary accounting system that produces financial data for external users is governed by:

- A. accounting standards.
- B. All of the given answers
- C. generally accepted accounting principles.
- D. traditional accounting conventions.

Ans: B

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.08 Explain how costing systems can provide information to support a range of operational and strategic decisions

Topic: Costing for decision making

48. Which of the following would **not** be part of a value chain for a fast food restaurant?

- A. All the given answers
- B. Buying produce
- C. Mopping the floor
- D. Refilling the napkin dispensers
- E. Hiring new cooks

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

49. Strategic cost management is:

- A. the process of determining cost drivers.
- B. the recognition of the importance of cost relationships among the activities in the value chain.
- C. the process of managing cost relationships to the firm's advantage.
- D. cost-causing factors.
- E. the recognition of the importance of cost relationships among the activities in the value chain and the process of managing cost relationships to the firm's advantage

Ans: E

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

50. Managerial accounting activity comprises a set of tools, systems and perspectives that add value to an organisation by supporting five major objectives. Which one of these is **not** a supporting objective?

- A. Provide information for decision making and planning.
- B. Assist managers in directing and controlling operational activities.
- C. Motivate managers and other employees towards the organisation's goals.
- D. Assess an organisation's competitive position and long-term managerial efforts.
- E. Focus on activities that occur at the top level of the organisation.

Ans: E

AACSB: Reflective Thinking

Difficulty: Hard

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

51. Because managerial accounting reports rarely solve decision problems, what function does a managerial accountant use to assist managers in understanding issues contained within the information produced?

- A. Internal business solution function
- B. Learning and growth function
- C. Theoretical capacity function
- D. Customer function

E. Attention directing function

Ans: E

AACSB: Reflective

Difficulty: Hard

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

52. Which of the following is **not** an ethical standard of managerial accounting?

- A. Competence
- B. Confidentiality
- C. Efficiency
- D. Integrity
- E. Credibility

Ans: C

AACSB: Ethics

Difficulty: Hard

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

53. Using fewer resources to achieve an organisational objective is consistent with which type of outcome?

- A. Efficiency
- B. Effectiveness
- C. Profitability
- D. All of the given answers
- E. None of the given answers

Ans: A

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

54. The issue of an organisation's impact on the environment and local community is one of:

- A. information analysis and management accounting techniques.
- B. sustainability.

- C. technological innovation.
- D. human resources.
- E. technological innovation.

Ans: B

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years

Topic: Australasian organisations in the twenty-first century

55. The relationship between shareholder value and customer value:

- A. is positive.
- B. is inverse.
- C. does not exist.
- D. can be positive OR inverse.
- E. None of the given answers

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

56. An organisation's non-financial resources:

- A. include employees, work processes and committed customers.
- B. are critical to its future prosperity and survival.
- C. are consistent with an assessment of its capabilities and competencies.
- D. All of the given answers
- E. None of the given answers

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

57. An organisation's accounting systems:

- A. include elements of both financial accounting and management accounting.
- B. can be used for measuring costs and other organisational resources.
- C. All of the given answers
- D. None of the given answers

Ans: C

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: What is management accounting?

58. Organisational strategies:

- A. may be different at the competitive strategy level where the firm has more than one distinct business unit.
- B. at the whole of firm level are regarded as competitive strategies.
- C. should not be influenced by shareholder and securities market expectations.
- D. All of the given answers

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

59. Organisations can gain a competitive advantage by adopting a business strategy of:

- A. product differentiation.
- B. cost leadership.
- C. None of the given answers
- D. All of the given answers

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

60. Management accountants in Australia:

- A. are likely to join CPA Australia.
- B. can become members of international accounting associations, such as the US IMA.
- C. must hold eligible accounting qualifications in order to join CA ANZ, CPA Australia and/or the IPA.
- D. All of the given answers
- E. None of the given answers

Ans: D

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

61. CPAs, CAs and members of the IPA:

- A. are required to adhere to ethical codes of conduct.
- B. have the opportunity to participate in conferences, seminars and specialist discussion groups in order to keep up to date with developments in their field.
- C. can gain valuable contact with other management accountants working in various organisations
- D. All of the given answers

Ans: D

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

62. Financial reporting and management accounting information:

- A. must not be so exhaustive that managers overlook important details.
- B. cannot be readily quantified in terms of costs.
- C. provide intangible benefits that can be readily quantified.
- D. All of the given answers

Ans: A

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

63. What is meant by the following statement? 'The objectivity of the management accounting process is largely a myth.'

Ans:

Accountants have wide areas of discretion in the selection, processing and recording of data. Various data can be used for different purposes. In addition, the same data can be

used simultaneously for different purposes such as planning, decision making or controlling.

AACSB: Communication

AACSB: Reflective

Difficulty: Hard

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

64. Give an example of management accounting information that could help a manager make each of the following decisions:

- i. The managing director of a car rental company is deciding whether to add luxury cars to the rental car fleet.
- ii. The production manager in an assembly plant is deciding whether to have routine maintenance performed on a machine weekly or fortnightly.
- iii. The manager of a department store is deciding on the number of security personnel to employ to reduce shoplifting.
- iv. The local council is deciding whether to build an addition to the local library.

Ans:

Note: any correct answers are possible since only one example is requested.

- i. Estimates of any operating costs associated with the proposed luxury cars would be relevant. For example, estimates of the cost of petrol, routine maintenance and insurance on the new vehicles would be useful.
- ii. Data about the cost of maintaining the machine weekly or fortnightly would be relevant. In addition, the production manager should consider information about the likely rates of defective products under each maintenance alternative.
- iii. Estimates of the cost of lost merchandise due to shoplifting and the cost of employing security personnel would be relevant to this decision.
- iv. Estimates of the cost of building the library addition as well as estimated benefits to the population from having the addition would be useful. In estimating the benefits, some value judgments may need to be made about the benefits to the public from having additional library space and more books.

AACSB: Communication

AACSB: Reflective

Difficulty: Hard

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

65. Explain how the management accountant, with the use of computer technology, can provide information that will be useful for the management and control of operational tasks.

Ans:

With the aid of computers, management accountants are able to provide information that is accurate, timely and relevant to the managers they are serving. For example, they can provide information such as number of units produced, number of rejects and time lost on a daily basis, and ensure a regular flow of information between sales and production.

AACSB: Communication

AACSB: Technical

Difficulty: Hard

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

66. 'As global competition increases, businesses are being pressured to reach higher levels of productivity to price their products and services competitively.' Explain how management accountants can play a role in helping management meet these challenges.

Ans:

The systems that management accountants can help to develop are:

- i. Total quality management—builds a high level of quality into production and all management processes within an organisation.
- ii. Just-in-time management—an approach to inventory management whereby inventory that is required in production is delivered just in time to be used in the production process.
- iii. Activity-based management—focuses on identifying and eliminating activities that add no value to the product or service from the customer's perspective (e.g. reworking, spoilage).

AACSB: Communication

AACSB: Reflective

Difficulty: Hard

Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years

Learning Objective: 1.11 After studying the appendix, describe how the focus of management accounting has evolved

Topic: Australasian organisations in the twenty-first century

Topic: Evolution and change in management accounting

67. List and define four ethical standards that are part of the IFAC's Code of Professional Conduct.

Ans:

Note: Answers may include any four of the following:

- **Integrity.** Members must be straightforward and honest in professional and business relationships. Integrity also implies fair dealing and truthfulness.
- **Objectivity.** Members must not compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.
- **Professional competence and due care.** Members must maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service, and act diligently in accordance with applicable technical and professional standards when providing their services.
- **Confidentiality.** Members must not disclose outside the firm or employing organisation confidential information acquired as a result of professional and business relationships without specific authority from the client or employer unless there is a legal duty to do so. Members must not use confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.
- **Professional behaviour.** Members must comply with relevant laws and regulations and avoid any action or omission that may bring discredit to the profession.

AACSB: Communication

Difficulty: Hard

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

68. Jasmine Dol is a junior management accountant at Hey Hey Toys Ltd. Jasmine is given the task of compiling a cost–benefit analysis report on whether the company should purchase an expensive new machine from Beta Ltd, where her brother is the new sales manager. Jasmine did not tell anyone in Hey Hey Toys about her brother's new job. In preparing her report, Jasmine overstates the qualitative benefits and understates the costs associated with this new machine, in order to help her brother make his first sale as the new sales manager.

Discuss why and how Jasmine has deviated from the IFAC's code of ethics.

Ans:

The following are some key points:

Integrity – Jasmine did not tell anyone about the conflict of interest, and therefore did not demonstrate 'integrity'

Objectivity – in overstating the benefits and understating the costs, Jasmine is clearly biased in her analysis, and is not acting in the company's best interests.

AACSB: Communication

AACSB: Ethics

Difficulty: Medium

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

69. Identify and contrast management accounting and financial accounting information.

Ans:

	Management accounting	Financial accounting
Users of information	Internal: managers and employees at all levels	External: shareholders, creditors, banks, securities exchange, trade unions and government agencies
Regulations	No accounting standards or external rules are imposed. Information is generated to satisfy managers' information needs	Accounting standards and corporations law regulate the content of external financial reports
Source of data	Both financial and non-financial data drawn from many sources—the core accounting system; physical and operational data from production systems; and market, customer and economic data from sources external to the organisation	Financial data almost exclusively drawn from the organisation's core transaction-based accounting system
Nature of the information	Past, current and future-oriented; subjective; relevant; timely; and supplied at various levels of detail to suit managers' specific needs	Past; reliable; verifiable; not timely; not always relevant; and highly aggregated

AACSB: Communication

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

70. Give examples of each of the four primary management activities in the context of a national pizza franchise.

Ans:

Examples of the four primary management activities in the context of a national pizza franchise are as follows:

- Decision making: Choosing among several convenient locations for the new restaurant. (Should be high traffic area with sufficient customers of a particular income and age.)
- Planning: Developing a cost budget for the food and paper products to be used by quarter for the next year, along with franchise fees and training needs.

- c. Directing operations: Developing detailed schedules for personnel for the next quarter to provide counter service in the pizza restaurant.
- d. Controlling: Comparing the actual cost of goods sold in the restaurant with the anticipated cost for that same time period.

AACSB: Reflective

Difficulty: Hard

Learning Objective: 1.05 Describe the major processes that management accounting systems use to create value and manage resources

Topic: Management accounting processes and techniques

71. Consider the descriptors that follow.

- 1. Is heavily involved with the recordkeeping and reporting of assets, liabilities, and stockholders' equity.
- 2. Focuses on planning, decision making, directing, and control.
- 3. Is heavily regulated.
- 4. A field that is becoming more 'cross-functional' in nature.
- 5. Much of the field is based on costs and benefits.
- 6. Is involved almost exclusively with past transactions and events.
- 7. Much of the information provided is directed toward stockholders, financial analysts, creditors and other external parties.
- 8. Tends to focus more on subunits within an entity rather than the organisation as a whole.
- 9. May become involved with measures of customer satisfaction, and the amount of actual cost incurred versus budgeted targets.

Required

Determine whether the descriptors are most closely associated with financial accounting or managerial accounting.

Ans:

- | | |
|--------------------------|--------------------------|
| 1. Financial accounting | 6. Financial accounting |
| 2. Managerial accounting | 7. Financial accounting |
| 3. Financial accounting | 8. Managerial accounting |
| 4. Managerial accounting | 9. Managerial accounting |
| 5. Managerial accounting | |

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

72. Tae Franklin is the sales manager of Darius Enterprises, a very profitable distributor of office furniture to local businesses. A recent economic downturn has created an extremely tight cash position, and the company has been hurt by the bankruptcy of two key customers.

In late October, anticipating an economic recovery, Franklin began an extensive remodelling of the company's sales floor. Construction costs, decorating and equipment purchases are projected to cost \$250 000.

Darius has a policy that individual expenditures in excess of \$200 000 must be approved by the firm's board of directors. Franklin, unfortunately, missed the deadline to have the board consider this project at its regular September meeting. Not wanting to wait until the next meeting in December, he subdivided the project in two parts—construction and decorating (\$190 000) and equipment purchases (\$60,000)—neither of which needed board approval because of the dollar amounts involved. The project was recently completed and sales have begun to recover. Customers have raved about the new sales area, noting that it is far superior to those of Darius's competitors.

Required

- A. Would Franklin's approach of subdividing the project in two parts have any effect on the company's financial statements? Briefly explain.
- B. Briefly discuss whether Franklin behaved in an ethical manner.
- C. Which, if any, of the following standards of conduct would have applicability to Franklin's conduct: competence, confidentiality, integrity or credibility? Briefly explain.

Ans:

- A. Although some extra processing is involved because of the 'separate' projects, the same total costs will be incurred for the same assets. Thus, there is no impact on the financial statements, which serve to summarise financial activity.
- B. Franklin behaved in an unethical manner. Even though business is recovering and customers seem more than satisfied with the new sales area, Franklin knowingly bypassed stated company policy. The project is being done in a single phase, and comprises construction, decorating and equipment acquisition. This is really one project; yet his accounting treatment implies otherwise.
- C. Two standards are relevant here. Integrity holds that managers refrain from engaging in any conduct that would prejudice the ethical performance of duties. Additionally, credibility recognises that managers have a responsibility to communicate information fairly and objectively, and disclose all relevant information that could reasonably be expected to influence a user's understanding of the reports and data presented.

AACSB: Ethics

Difficulty: Hard

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

73. How can management accountants quantify their contribution to shareholder value?

Ans:

Shareholder value is a key focus for the management accountant and involves improving the worth of the business from the shareholders', or owners', perspective. Objective measurements of incremental shareholder value would be increased profitability, share price and dividends. Although management has the responsibility for meeting these expectations, the management accountant can play a key role in seeking to achieve these desirable outcomes.

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

74. Outline the potential impact of big data on the role of the management accountant.

Ans:

Big data refers to the 'vast amount of data continually collected through devices and technologies such as credit cards and customer loyalty cards, the internet and social media and, increasingly, WiFi sensors and electronic tags' (ACCA & IMA, 2013).

A report by the Association of Chartered Certified Accountants and the Institute of Management Accountants (2013) recommends that accountants need to:

- develop new performance measures
- learn new analytical skills
- be able to unravel the meaning of data and communicate this meaning effectively.

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

75. The 'timing' element is a point of difference between accounting management and financial management. Outline the timing differences between the two systems in terms of their focus on costs and the timeliness of the information they provide.

Ans:

Typically, financial accounting focuses on past information, which is considered reliable and verifiable, but not always timely in nature. By contrast, management accounting data is more likely to consider past, current and future information, which is relevant and timely in nature.

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: What is management accounting?

76. What is strategy implementation? Provide examples.

Ans:

Strategy implementation involves planning and managing the implementation of strategies. This can include introducing new structures and systems, such as setting up new business units, implementing new production processes, implementing new software packages, developing new marketing approaches and introducing innovative human resource management policies.

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

77. Management accountants provide regular supporting information to managers to enable them to make frequent decisions about business activities, but they must also be flexible enough to provide information to support managers' non-routine decisions. Give examples of non-routine business decisions that the management accountant may need to provide information to support.

Ans:

Examples of non-routine decisions that require management accounting information include the introduction of new product lines, the development of new information systems and the expansion of a manufacturing plant.

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

78. Behavioural issues are not taken into consideration when developing management accounting systems.

Ans: False

AACSB: Reflective

Difficulty: Medium

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

79. Organisations prepare a mission statement that describes the desired future position and/or goals of the organisation.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

80. The systems and procedures implemented to provide regular information to assist with control are called control systems.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

81. When a firm adopts a strategy of being a low-cost producer and sells its products at a price lower than its competitors, the firm is said to be using a strategy of cost leadership.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies

Topic: Management accounting and strategy

82. The theory that suggests that a firm's management accounting system is influenced by factors such as the external environment and technology is called contingency theory.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of contingency and institutional theories

Topic: Some important considerations in the design of management accounting systems

83. There is no overlap between the two accounting streams management and financial accounting.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

84. The increased information needs of modern organisations have meant that management accounting has had to change its focus over the years.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years

Topic: Australasian organisations in the twenty-first century

85. The costing system is the part of the accounting information system that is common to both financial and management accounting.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information

Topic: Differences between management accounting and financial accounting information

86. Accountants with a CPA qualification are only able to work as financial accountants.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere

Topic: Professional accounting organisations

87. Staff management and line management both have indirect responsibilities to the operations of an organisation.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.11 After studying the appendix, describe how the focus of management accounting has evolved

Topic: Evolution and change in management accounting

88. Value creation is a central focus for managers and only refers to shareholder value.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.02 Define management accounting in terms of value creation

Topic: What is management accounting?

89. Senior accountants are also known as finance managers or financial controllers.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.04 Explain where management accountants are located in organisations

Topic: Management accountants within organisations

90. Budgets provide information to help manage resources and are supported by the financial accounting function.

Ans: False

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.05 Describe the major processes that management accounting systems use to create value and manage resources

Topic: Management accounting processes and techniques

91. Non-value-added costs are the costs of activities that can be eliminated with no deterioration of product quality, performance or perceived value.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management

Topic: Management accounting for planning and control

92. Decision making requires managers to choose among the available alternatives.

Ans: True

AACSB: Reflective

Difficulty: Easy

Learning Objective: 1.05 Describe the major processes that management accounting systems use to create value and manage resources

Topic: Management accounting processes and techniques

Chapter 01 Testbank Summary

Category	# of Questions
AACSB: Communication	7
AACSB: Ethics	7
AACSB: Reflective	82
AACSB: Reflective Thinking	1
AACSB: Technical	1
Difficulty: Easy	44
Difficulty: Hard	10
Difficulty: Medium	38
Learning Objective: 1.01 Describe changes that have taken place in the business environment in recent years	5
Learning Objective: 1.02 Define management accounting in terms of value creation	15
Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting information	13
Learning Objective: 1.04 Explain where management accountants are located in organisations	3
Learning Objective: 1.05 Describe the major processes that management accounting systems use to create value and manage resources	4
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support strategies	13
Learning Objective: 1.07 Explain how planning and control mechanisms can be used to support resource management	12
Learning Objective: 1.08 Explain how costing systems can provide information to support a range of operational and strategic decisions	1
Learning Objective: 1.09 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost-benefit trade-offs and the implications of contingency and institutional theories	8
Learning Objective: 1.10 Identify the organisational responses and management accounting responses to changes in the business environment	3
Learning Objective: 1.11 After studying the appendix, describe how the focus of management accounting has evolved	3
Learning Objective: 1.12 After studying the appendix, discuss the professional qualifications that are relevant to becoming an accountant, and the ethical standards to which accountants must adhere	13
Topic: Australasian organisations in the twenty-first century	5
Topic: Costing for decision making	1
Topic: Differences between management accounting and financial accounting information	10
Topic: Evolution and change in management accounting	3
Topic: Management accountants within organisations	3
Topic: Management accounting and strategy	13
Topic: Management accounting for planning and control	12
Topic: Management accounting processes and techniques	4
Topic: Management accounting responses to the changing business	3

Category	# of Questions
environment	
Topic: Professional accounting organisations	13
Topic: Some important considerations in the design of management accounting systems	8
Topic: What is management accounting?	18