This chapter has 67 questions.

Select 0 questions at random and keep in order

1. What type of accounting system is part of an organisation's management information system for internal use only?
   - Financial accounting
   - Management accounting
   - Governmental accounting
   - 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.
   - i and ii
   - i, ii and iii
   - iii
   - 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.
   - i
   - i and ii
   - ii and iii
   - 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
   - i
   - ii
   - iii
   - i and ii

5. Which of the following is not an objective of management accounting?
   - Providing information for making decisions
   - Providing information for planning
   - Providing information for control
   - Providing information for profit and loss statements

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

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

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

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

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

Learning Objective: 1.07 Recognise how various management accounting techniques have been developed to support a firm's competitive advantage.

Learning Objective: 1.08 Explain how planning and control mechanisms can be used to support resource management.

Learning Objective: 1.09 Explain how costing systems can provide information to support a range of operational and strategic decisions.

Learning Objective: 1.10 Describe the factors that may influence the design of management accounting systems including issues, cost–benefit trade-offs and the implications of contingency and institutional theories.

Learning Objective: 1.11 Identify the organisational responses and management accounting responses to changes in the business environment.

Learning Objective: 1.12 Describe how the focus of management accounting has evolved.

Learning Objective: 1.13 Discuss the professional qualifications that are relevant to becoming an accountant, and the ethics to which accountants must adhere.

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

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

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

6. Planning is:
   - comparing actual performance against targets
   - setting objectives and formulating plans for future operations
   - measuring the performance of managers against preset targets
   - motivating managers towards achieving organisational goals

Learning Objective: 1.08 Explain how planning and control mechanisms can be used to support

7. ‘Control’ involves:
   - formulating details of operations and finances for the next financial year
   - comparing actual performance against targets
   - deciding whether to expand activities
   - measuring the performance of managers against preset targets

Learning Objective: 1.08 Explain how planning and control mechanisms can be used to support

8. Part of the planning process involves:
   - formulating details of operations and finances for the next financial year
   - comparing actual performance against targets
   - making a choice between available alternatives
   - measuring the performance of managers against preset targets

Learning Objective: 1.02 Define management accounting in terms of value

9. The role of management accounting is to:
   - provide information to parties outside the organisation
   - provide information to managers within the organisation.
   - provide information to government agencies.
   - All of the given answers

Learning Objective: 1.08 Explain how planning and control mechanisms can be used to support

10. Budgeting can be used in an organisation to:
    - motivate managers to achieve organisational goals.
    - control operations.
    - provide managers with information for making decisions and planning.
    - All of the given answers

Learning Objective: 1.10 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of continuing institutional

11. The benefits of management accounting information include:
    - improved decisions.
    - more effective planning.
    - greater efficiency of operations.
    - All of the given answers

Learning Objective: 1.08 Explain how planning and control mechanisms can be used to support

12. Management accounting:
    - must comply with Australian accounting standards.
    - focuses primarily on the needs of managers internal to the organisation.
    - provides information for parties external to the organisation.
    - involves reports focusing on the enterprise in its entirety.
13. Which of the following is necessary for management accounting information to be useful?

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

14. Both financial and management accounting:

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

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

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

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

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

- CPA Australia.
- Australian Accounting Association.
- Institute of Chartered Accountants in Australia.
- Certified Institute of Management Accountants.

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

- Competence and confidentiality
- Integrity and objectivity
- Professional scepticism and efficiency
- Objectivity and confidentiality

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

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

Multiple Choice Question

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
   → i, ii, iii and iv

Multiple Choice Question

22. 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.
   → i, ii, and iii

Multiple Choice Question

23. Which of the following are management accounting responses to the changing business environment?
   Activity-based costing.
   E-commerce.
   Supplier cost analysis.
   → A and C.

Multiple Choice Question

24. Which of the following are ethical standards for management accountants?
   i. Competence
   ii. Objectivity
   iii. Confidentiality
   iv. Integrity
   → i, ii, iii and iv

Multiple Choice Question

25. The costs of providing information to management should be less than the benefits. Which of the following are costs of managing accounting information?
   i. Salary cost of management accounting personnel
   ii. Computer operating costs
   iii. Managers’ time in reading and acting on the information
   → i, ii, and iii.
Multiple Choice Question  
Learning Objective: 1.10 Describe the factors that may influence the design of management accounting systems including behavioural issues, cost–benefit trade-offs and the implications of continuing institutional learning.

26. Which of the following statements is correct?

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

Multiple Choice Question  
Learning Objective: 1.02 Define management accounting in terms of value.

27. Strategies:

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

Multiple Choice Question  
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support.

28. Which of the following statements is correct?

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

Multiple Choice Question  
Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting in understanding strategy.

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

- Control, feedback, planning
- Planning, control, feedback
- Feedback (feedforward), planning, control, feedback
- Control, planning, feedback

Multiple Choice Question  
Learning Objective: 1.08 Explain how planning and control mechanisms can support resource management.

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

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

Multiple Choice Question  
Learning Objective: 1.11 Identify the organisational responses and management accounting systems can support.

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

- Quality
- Delivery
- Product innovation
- Cost reduction

Multiple Choice Question  
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support.

32. Choose the statement that best completes this sentence: 'All management accounting information …'
Multiple Choice Question
Question 32 Choose the statement that best completes...
Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting inf

33. Which of the following statements is correct?
   - A financial controller is only responsible for financial accounting.
   - The primary role of the finance function of an organisation is to liaise with banks and financial institutions to obtain financial funding.
   - In some organisations, management accountants are located in factories.
   - Management accountants are responsible for external reporting as well as providing information to internal managers.

Multiple Choice Question
Question 33 Which of the following...
Learning Objective: 1.04 Explain where management accountants are located in organisations

34. The 'vision' of an organisation:
   - refers to the desired future state of an organisation.
   - refers to a statement that defines the purpose of the organisation.
   - refers to specific statements of objective, upon which goals can be set.
   - is only useful for non-profit organisations.

Multiple Choice Question
Question 34 The 'vision' of an organisation:
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support

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

Multiple Choice Question
Question 35 Animus Ltd is a mining company. Which of the...
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support

36. Animus Ltd is a mining company. Which of the following is an example of a business strategy decision?
   - Should Animus Ltd operate in the mining industry only or expand to heavy machinery manufacturing and distribution?
   - Should Animus Ltd compete based on price or product differentiation?
   - Should Animus Ltd hire a new financial controller?
   - Should Animus Ltd develop a new management accounting system?

Multiple Choice Question
Question 36 Animus Ltd is a mining company. Which of the...
Learning Objective: 1.06 Explain the basic concepts of strategy and how management accounting systems can support

37. Animus Ltd is a mining company. Which of the following is an example of 'planning'?
   - Awarding bonuses to Animus Ltd's top performing executives.
   - Setting production targets for the company's new mines.
   - Developing correction actions to respond to lower-than-expected production levels in the existing mines.
   - Pursuing legal actions against environmental activists who stole mining equipment.

Multiple Choice Question
Question 37 Animus Ltd is a mining company. Which of the...
Learning Objective: 1.06 Explain how planning and control mechanisms can support resource management.

38. Animus Ltd is a mining company. Which of the following is an example of 'control'?
   - Awarding bonuses to Animus Ltd's top performing executives.
   - Setting production targets for the company's new mines.
   - Developing correction actions to respond to lower-than-expected production levels in the existing mines.
   - Pursuing legal actions against environmental activists who stole mining equipment.

Multiple Choice Question
Question 38 Animus Ltd is a mining company. Which of the...
Learning Objective: 1.06 Explain how planning and control mechanisms can support resource management.

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:
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.

→ the new system is likely to be the result of gaining legitimacy and to imitate other mining companies who are 'doing things'.

→ the new system is likely to be the result of stringent government regulations.

→ the new system is likely to be the result of careful, rational, cost-benefit analysis.

Multiple Choice Question
Learning Objective: 1.10 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 factors.

Question 39 Animus Ltd is a mining company operating... AACSB: R Difficulty:

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

→ Providing an environmental assurance report for his company's shareholders

→ Compiling the company tax return

→ Ensuring that the internal accounting system is compliant with generally accepted accounting standards

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

Multiple Choice Question
Learning Objective: 1.03 Describe the major differences between management accounting and financial accounting in terms of the environment in which they operate.

Question 40 Eddy Gunn is a management accountant. Which...

AACSB: R Difficulty:

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

→ The Institute of Production Accountants

→ CPA Australia

→ The Institute of Chartered Accountants

→ The Institute of Management Accountants

Multiple Choice Question
Learning Objective: 1.13 Discuss the professional qualifications that are relevant to becoming a management accountant, and the ethical standards to which accountants must adhere.

Question 41 Which of the following is not a... AACSB: R Difficulty:

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

→ Rapid advances in technology

→ Increases in outsourcing and reliance on various forms of business networks

→ Increased global mobility in labour

→ Reliance on creating mutually strategic business alliances

Multiple Choice Question
Learning Objective: 1.01 Describe the changes that have taken place in the environment in recent years.

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

→ Rapid advances in technology

→ Increases in outsourcing and reliance on various forms of business networks

→ Increased global mobility in labour

→ Reliance on creating mutually strategic business alliances

Multiple Choice Question
Learning Objective: 1.05 Describe the major processes that management accounting systems focus on.

Question 43 Which of the following changes in the environment in recent years have led to the emergence of virtual organisations?

→ Rapid advances in technology

→ Increases in outsourcing and reliance on various forms of business networks

→ Increased global mobility in labour

→ Reliance on creating mutually strategic business alliances

Multiple Choice Question
Learning Objective: 1.01 Describe the changes that have taken place in the environment in recent years.

Question 44 Management accounting focuses on:

→ Compliance with the accounting standards.

→ Meeting the needs of external users.

→ Effective and efficient management of resources.

→ Financial data only.

Multiple Choice Question
Learning Objective: 1.07 Recognise how various management accounting techniques have been developed to support a firm's competitive a... AACSB: R Difficulty:

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

→ Strategy.

→ Mission.

→ Goals.

→ Decisions.
46. If a firm's senior management decide to follow a differentiation strategy, their focus should be to NOT concentrate on:
   - product quality.
   - product delivery.
   - product innovation.
   - product costs.

   AACSB: F

   Multiple Choice Question
   Question 46 If a firm's senior management...
   Learning Objective: 1.07 Recognise how various management accounting techniques developed to support a firm's competitive a

47. The firm's primary accounting system that produces financial data for external users is governed by:
   - accounting standards.
   - all of the choices are correct.
   - generally accepted accounting principles.
   - traditional accounting conventions.

   AACSB: F

   Multiple Choice Question
   Question 47 The firm's primary accounting system...
   Learning Objective: 1.09 Explain how costing systems can provide information to range of operational and strategic

48. Objectivity in management accounting

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

   Explanation:
   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: Comm
   AACSBB: F

   Short Answer Question
   Question 48 Objectivity in management accounting...
   Learning Objective: 1.02 Define management accounting in terms of value

49. Management accounting and decision making

   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.

   Explanation:
   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 the manager.
   iv. Estimating 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: Comm
   AACSBB: F

   Short Answer Question
   Question 49 Management accounting and decision making...
   Learning Objective: 1.02 Define management accounting in terms of value

50. 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.

   Explanation:
   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 basis, and ensure a regular flow of information between sales and production.
51. 'As global competition increases, businesses are being pressured to reach higher levels of productivity to price their products and competitively.' Explain how management accountants can play a role in helping management meet these challenges.

**Explanation:**

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).

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

**Explanation:**

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 judgement because of bias, conflict of interest or the influence of others.

- **Professional competence and due care.** Members must maintain professional knowledge and skill at the level required to ensure 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 discredit to the profession.

**53. 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.**

**Explanation:**

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.
Management accounting

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<thead>
<tr>
<th>Users of information</th>
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<tbody>
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Regulations

- No accounting standards or external rules are imposed. Information is generated to satisfy managers’ information needs

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54. Identify and contrast management accounting and financial accounting information

Explain:

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

- True
- False

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

- True
- False

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

- True
- False

58. 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 using a strategy of cost leadership.

- True
- False

59. 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
60. There is no overlap between the two accounting streams management and financial accounting.
   - True
   - False

61. The increased information needs of modern organisations have meant that management accounting has had to change its focus over years.
   - True
   - False

62. The costing system is the part of the accounting information system that is common to both financial and management accounting.
   - True
   - False

63. Accountants with a CPA qualification are only able to work as financial accountants.
   - True
   - False

64. Staff management and line management both have indirect responsibilities to the operations of an organisation.
   - True
   - False

65. Value creation is a central focus for managers and only refers to shareholder value.
   - True
   - False

66. Senior accountants are also known as the finance manager or financial controller.
   - True
   - False

67. Budgets provide information to help manage resources and are supported by the financial accounting function.
   - True
   - False