**ACCT866 STRATEGIC MANAGEMENT ACCOUNTING**

**Week 1: Workshop Solutions**

**From Textbook:**

1. **MCQs and True/False questions: 1.21, 1.22, 1.26, 1.30**
2. **1.35, 1.39 and extra handout exercise 17**

**Textbook Link:** <https://ebookcentral.proquest.com/lib/aut/reader.action?docID=6736469&ppg=20>

**Exercise 1.21**

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| --- | --- |
| **MCQ#** | **Answers** |
| 1.21 (1) | B |
| 1.21 (2) | C |
| 1.21 (3) | B |

**Exercise 1.22**

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| **Statement #** | **Answers** |
| 1.22 (1) | False |
| 1.22 (2) | True |
| 1.22 (3) | True |
| 1.22 (4) | False |
| 1.22 (5) | False |

**Exercise 1.26**

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| **Statement #** | **Answers** |
| 1.26 (1) | True |
| 1.26 (2) | True |
| 1.26 (3) | True |
| 1.26 (4) | True |

**Exercise 1.30**

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| **MCQ#** | **Answers** |
| 1.30 (1) |  |
| 1.30 (2) |  |
| 1.30 (3) |  |
| 1.30 (4) |  |
| 1.30 (5) |  |

**Exercise 1.35**

**Requirement 1: *AREAS OF CONCERN FOR MURPHY:***

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| **a. Seasonal sales****b. Narrowly focused market****c. Inventory control/management****d. Lack of cash flows****e. Cost increases****f. Supplier management****g. Customer satisfaction****h. Marketing strategy (online vs agency)** |

**Requirement 2: Management Accounting Information (MAI):**

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| **a. Sales:** Sales turnover, sales forecasts, daily/weekly monthly sales by units and by product lines, Return on sales %**b. Market:** Benchmarking of products and selling prices offered by competitors, month-wise sales history analysis, market share analysis**c. Inventory management/control:** Inventory turnover, weekly/monthly inventory balances, ordering costs of inventory, carrying costs of inventory, inventory management by different product lines**d. Lack of cash flows:** Daily/weekly cash flow statements, credit policies with banks, alternative sources of cash flows**e. Cost increases:** Detailed analysis of costs (life cycle costing), identifying non-value added activities, alternative sources (suppliers)**f. Supplier management:** Supplier performance analysis (e.g., cost and quality performances, delivery performances)**g. Customer satisfaction:** Customer performance analysis, customer satisfaction, no. of complaints, customer retention rate**h. Marketing strategy (online vs agency):** Benchmarking analysis,Third-party market share data |

**Case 1.39**

**Requirement 1: Advantages of implementing new process**

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| There are many advantages in implementing processes to determine organisational objectives, strategies and planning systems. 1. Clarification of objectives and strategies would encourage the company to *formally evaluate the competitive market* in which it operates, including the *activities of competitors and the preferences of customers*.
2. It would allow managers to *assess the strengths and weaknesses of the company* and put in place future plans that would allow it to undertake its strategies to achieve its objectives.
3. It would formally consider *opportunities for producing new products* and evaluate whether or not it is advisable to focus solely on old, established product lines.
4. If new products are to be introduced then formal planning systems will allow the business to consider the *cash flow implications* and establish timelines for introducing those new products.
5. The formalisation of objectives and detailed plans will provide the business with targets against which *actual performance can be measured*, and communicate to employees the future directions of the business.
6. Currently there seems some uncertainty as to what types of products the company should be offering. As part of the strategic planning process, *customer preferences need to be assessed* and predictions made of the likely future demand for products.
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**Requirement 2: Management Accounting Information**

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| * The control system that can be put in place may include *monthly targets* that should derive from the yearly budget and longer-term plans, and *a system* that monitors areas of key strategic interest.
* These targets will be used by employees and managers to compare against actual performance. The targets may be financial, such as cost targets and sales revenue.
* However, it will also be important to set non-financial targets, such as those relating to quality and delivery performance.
* In selecting these targets the company needs to decide which areas are of the most importance in managing the company.
* Customer preferences are obviously crucial to this business. The company needs to put systems in place to monitor any changes in customer preferences for particular products.
* The company must keep track of what competing bakeries are offering and try to anticipate changes in demand for its products by carefully monitoring changes in sales mix.
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**EXTRA HANDOUT EXERCISE # 17**

**QUALITY:**

1. **Customer return rate**
2. **No. of customer complaints received**
3. **Customer retention rate**
4. **Cost of reworking defects**
5. **Cost of doing warranty repairs**
6. **Lost sales due to selling low quality products**
7. **New investment required for increasing product quality**

**COST:**

1. **Total value chain costs/ life cycle costs**
2. **Resources consumed by specific products or services.**
3. **Resources consumed by different activities**
4. **Analysing customers’ cost structures/ suppliers’ cost structures**
5. **Cost of spoilages**

**TIME:**

1. **Production cycle of old products vs new products**
2. **Loss of revenue because of late product introductions**
3. **Sales revenue of new products vs old products**
4. **Response time to ship customer orders**
5. **Capacity utilization of new products (full capacity or idle capacity situation)**
6. **Response time to customer orders**

***PRACTICE MCQs:***

**Question 01** Management accounting is:

1. concerned with providing information to current and prospective shareholders, lenders, investment analysts, unions, consumer groups and government agencies.
2. based on past information that emphasises objectivity and verifiability.
3. constrained by accounting standards or regulations.
4. **not constrained by accounting standards or regulations.**

**Question 02** When designing and implementing management accounting systems, we need to consider:

1. developing and implementing new marketing channels.
2. the management accountant's membership of professional accounting organisations.
3. innovation, employee welfare and community service.
4. **the ways in which information impacts on individual behaviour to affect the activities and decisions occurring within the organisation.**

**Question 03** Which of the following statements are true about many organisations during the 1990s?

1. Many organisations became exposed to global competition for the first time.
2. Many overseas companies became direct competitors due to the reduction or elimination of import tariffs, quotas and bounties.
3. Many former public utilities and government bodies were privatised or corporatized.
4. **All of the given answers**.

**Question 04** Management accounting supports managers in their tasks of enhancing:

1. customer value.
2. shareholder value.
3. internal value.
4. **customer and shareholder value.**

**Question 05** Shareholder value is:

1. **the value that shareholders or owners place on the business.**
2. the value that a shareholder places on particular features of a product or service.
3. the value placed on a shareholder due to their long-term ownership of shares.
4. the profitability arising from retention of long-term shareholders.

**Question 06** Customer value is:

1. the value placed on a customer due to their long-term patronage.
2. the difference between the price and the total cost of selling a product to a customer.
3. **the value that a customer places on particular features of a product or service**.
4. the profitability of customer retention.

**Question 07:** If senior management needed to improve shareholder value, in which of the following options should they set strategies to improve their competitiveness?

1. Product service or service quality
2. **Focussing on all of the choices would improve the firm's competitiveness**.
3. Innovation
4. Cost performance

**Question 08:** Which of the following statements is correct?

1. Management accounting systems do not provide information to support the formulation and the implementation of an organisation's strategies.
2. Management accounting systems are not relevant in the formulation and the implementation of business strategies.
3. **Management accounting systems should provide information to support the formulation and implementation of an organisation's strategies.**
4. Management accounting systems cannot provide relevant information to an organisation that is pursuing a product differentiation strategy.

**Question 09:** Since the mid-1990s the focus of management accounting has been on:

1. cost determination and financial control.
2. provision of information for planning and control.
3. reduction of waste through strategic cost management.
4. **creation of customer and shareholder value through the effective use of resources.**

**Question 10:** A business strategy where a firm is a low-cost producer that allows the business to sell its goods or services at a lower price than competitors is:

1. product differentiation.
2. **cost leadership.**
3. corporate strategy.
4. cost maximisation.

**Question 11:** A business strategy where a firm derives competitive advantage from offering goods and services that have characteristics superior to those offered by competitors is:

1. **product differentiation.**
2. cost leadership.
3. corporate strategy.
4. cost maximisation.

**Question 12:** Michael Porter of Harvard University suggests that sustainable competitive advantage can be attained through:

1. adopting a customer and shareholder value strategy.
2. adopting a business strategy of profit maximisation.
3. **adopting a business strategy of cost leadership or product differentiation.**
4. adopting a business strategy of cost maximisation.

**Question 13:** A mission statement:

1. is the desired future state or aspiration of an organisation.
2. is a specific statement of what the organisation aims to achieve, often quantified and relating to a specific period of time.
3. **defines the purpose and boundaries of the organisation.**
4. is concerned with the way the business competes in its chosen market.

**Question 14:** A vision:

1. **is the desired future state or aspiration of an organisation.**
2. is a specific statement of what the organisation aims to achieve, often quantified and relating to a specific period of time.
3. defines the purpose and boundaries of the organisation.
4. is concerned with the way the business competes in its chosen market.

**Question 15:** Objectives (or goals):

1. describe the desired future state or aspiration of an organisation.
2. **are specific statements of what the organisation aims to achieve, often quantified and relating to a specific period of time.**
3. define the purpose and boundaries of the organisation.
4. are concerned with the way the business competes in its chosen market.

**Question 16:** 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

1. i
2. ii
3. **iii**
4. i and ii

**Question 17:** Corporate strategy:

1. is the desired future state or aspiration of an organisation.
2. defines the purpose and boundaries of the organisation.
3. is concerned with the way the business competes in its chosen market.
4. **involves making choices about the types of businesses the organisation as a whole will operate.**

**Question 18:** Business (or competitive) strategy:

1. describes the desired future state or aspiration of an organisation.
2. defines the purpose and boundaries of the organisation.
3. **is concerned with the way that a business competes in its chosen market.**
4. involves making choices about the types of businesses the organisation as a whole will operate.

**Question 19:** For company objectives and strategies to be an effective contributor to strategy, the management accounting information should be shaped around the company's:

1. long term planning.
2. new product lines.
3. **competitive advantage**.
4. differentiation.

**Question 20:** Animus Ltd is a mining company. Which of the following is an example of a decision relating to formulating Animus Ltd's corporate strategy?

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

**Question 21:** Animus Ltd is a mining company. Which of the following is an example of a business strategy decision?

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