**Testbank**

to accompany

**Management accounting**

**4th edition**

by

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**Chapter 1: The role of accounting information in management decision making**

**True/false questions**

1. A vision statement is a theoretical description of what an organisation should become.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

2. An organisational vision is a short-term plan for maximising financial results.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

3. Most organisations have one stakeholder.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

4. Organisational core competencies unrelated to the organisational vision.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

5. Organisational strategies are the tactics that managers use to take advantage of core competencies while working towards the organisational vision.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

6. Most organisations have databases that contain information collected formally or informally from internal sources only.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

7. Desirable employee behaviour can be motivated by tying employee performance evaluation and pay to long-term or short-term results.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

8. Organisational information systems only collect accounting information.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

9. Cost accounting information is used for both management accounting and financial accounting activities.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

10. Management accounting is the process of gathering, summarising and reporting financial and non-financial information used internally to make decisions.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

11. Intellectual capital is a type of financial resource that is captured by the organisation’s information system.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

12. It is easy to differentiate between internal and external reports.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

13. The design of the management accounting system structure is influenced by both external and internal factors.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

14. Technological advances have allowed management accountants to develop previously infeasible cost and management accounting systems.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

15. GAAP stands for generally agreed accounting practices.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

16. Only large established organisations require a management accounting function.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

17. Relevant information helps decision makers evaluate and choose between alternative courses of action.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

18. Recent information system development has focussed on business intelligence and disruptive technologies and innovation.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

19. Higher quality information is more certain, complete, relevant, timely and valuable.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

20. The use of sophisticated information systems means that uncertainty is eliminated.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

21. Opportunity costs are the benefits forgone when we choose one alternative over the next best alternative.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

22. Cost–benefit analysis means that all decisions will provide a financial benefit to the organisation.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

23. Tuition fees are an opportunity cost of earning a university degree.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

24. High quality information will generally have fewer uncertainties if it is based on viable assumptions.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

25. Michael Porter was the first person to apply the generic value chain to the wine industry.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

26. The value chain represents the key activities engaged in by an organisation or industry.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

27. The central feature of the value chain is its focus on activities and processes rather than functions or departments.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

28. A value chain framework ignores customers and suppliers as it requires the organisation to focus on its internal processes.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

29. Value chain analysis can be used in conjunction with other management accounting developments such as activity-based costing and strategic cost management.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

30. Value chain analysis can be used to inform decision such as outsourcing and strategic alliances.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

32. Supply chain analysis is incompatible with value chain analysis as supply chain is only concerned with external suppliers.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

33. Research and development would be considered a downstream activity in value chain analysis.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

34. Non-value added activities are unnecessary and wasteful activities that can never be eliminated.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

35. Value chain analysis involves studying each step in the business process and eliminating activities that do not add value.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

36. Cost object is anything that costs are measured for.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

37. The manufacturing division of an oil refinery is an example of a cost object.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

38. Cost objects are the same as cost drivers.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

39. The inputs or activities that cause total costs to increase or decrease are cost drivers.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

40. One way of classifying cost drivers is as structural or equivalent.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

41. Structural costs drivers relate to the underlying economic structure of the organisational.

\*a. True

b. False

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

42. Total quality management is an example of a structural cost driver.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

43. A company’s structure, product offerings and value chain design are unrelated.

a. True

\*b. False

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

**Multiple-choice questions**

44. Which of the following influences organisational strategies?

a. Tax rates

b. Financial statement results

\*c. Organisational vision

d. Number of employees

*Correct answer: c*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

45. Which of the following statements regarding organisational vision is *false*?

\*a. Organisational vision is the same as operating plans.

b. Organisational vision is one tool for expressing an organisation’s main purpose.

c. Organisational vision should be communicated to all employees.

d. Managers sometimes divide the organisational vision into one or more written statements.

*Correct answer: a*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

46. An organisational vision is sometimes broken down into:

I Mission statement

II Core values statement

III Code of conduct

IV Statement of stakeholders

a. I only

b. I and II only

\*c. I, II and III

d. I, II and IV only

*Correct answer: c*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

47. Organisational core competencies can include:

a. a mission statement.

b. favourable economic conditions in the external environment.

c. a code of conduct.

\*d. an innovative product design.

*Correct answer: d*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

48. How are organisational strategies related to core competencies?

a. Competencies are the tactics managers use to take advantage of strategies.

b. Broad based organisational strategies are the same as the core competencies.

\*c. Strategies help managers exploit competencies.

d. Strategies and competencies are actually two ways of expressing the same idea.

*Correct answer: c*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

49. Broad based organisational strategies are commonly classified as:

\*a. low cost or product differentiation.

b. core competencies.

c. an organisation’s vision.

d. an operating plan.

*Correct answer: a*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

50. Which of the following is an element of an operating plan?

a. Developing an organisational mission

b. Preparing financial statements

c. Defining core values

\*d. Outlining specific performance objectives

*Correct answer: d*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

51. Types of decisions that managers make include all of the following except:

a. Choosing which products to sell

b. Designing performance evaluation systems

\*c. Setting tax rates

d. Hiring employees

*Correct answer: c*

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

52. The term cost accounting is:

\*a. the precursor to management accounting.

b. commonly used to refer to financial accounting.

c. encompasses both financial and management reporting.

d. the same as budgeting.

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

53. An example of cost accounting information that is used in financial accounting is:

a. staff absentee rates.

b. quality assurance processes.

\*c. valuation of ending inventory.

d. machine breakdown hours.

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

54. Which of the following is a type of internal report produced by an organisation’s information system?

a. News release

\*b. Analysis of potential acquisition

c. Credit report

d. Tax return

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

55. Which of the following statements is true?

\*a. Internal reports present information for use within an organisation.

b. Internal reports present information predominantly for use outside an organisation.

c. Internal reports are always for one-time use only.

d. Internal reports are also used for reporting to government.

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

56. Which of the following is the best example of an internal report that might come from an organisation’s information system?

a. Environmental Protection Agency regulatory report

\*b. Cash flow plan

c. Income tax returns

d. Credit rating agency report

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

57. Financial statements are:

a. Internal reports produced from an organisation’s information system.

b. never used for internal decision making.

c. only true when they are audited.

\*d. necessary to meet external reporting requirements.

*Correct answer: d*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

58. Information gathered outside the organisation includes:

\*a. customer preferences.

b. product design specifications.

c. product mix plans.

d. number of employees hired.

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

59. The following are all stages found in a management accounting system except for:

a. processing.

b. output.

\*c. outcome.

d. input.

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

60. Influences on the nature of the management accounting system include all of the following except:

a. organisational structure.

\*b. geographical location.

c. organisational culture and vision.

d. types of decisions managers are confronted with.

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

61. The routine measuring, monitoring and feedback processes to managers relating to operations is:

\*a. part of the management accounting system’s role.

b. not required in organisations with only one product.

c. required for long-term strategic decision making.

d. an organisational core competency.

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

62. Cost accounting information often serves as an input for:

a. listed companies.

b. a company’s suppliers.

c. a company’s bankers.

\*d. Management accounting and financial accounting.

*Correct answer: d*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

63. Start-up internet companies have no need for a management accounting function because:

\*a. even start-up internet companies need management accounting.

b. they have innovative profit offerings.

c. their financial structure is uniform.

d. they have no physical product.

*Correct answer: a*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

64. Relevant information:

a. does not vary with the decision taken.

b. is only useful if there are only two alternative courses of action

c. considers past costs.

\*d. is always dependent on the decision and other factors.

*Correct answer: d*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

65. Identify the irrelevant information in the following scenario.

Eve is choosing between two part-time jobs. Job A offers a high hourly wage but is located out of town and she will have to pay for public transport to get there. Job B is based locally and Eve can walk from home. The second job pays a lower hourly rate but there is more opportunity to pick up extra hours. The first job has a set number of hours. Last month Eve purchased a monthly gym pass for $80 for a gym located near Job B.

a. Hourly pay rates

b. Number or working hours

\*c. Cost of the gym pass

d. Public transport cost

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

66. Higher quality decisions result from:

a. higher quality information

b. higher quality reports

c. higher quality decision-making processes

\*d. all of the options listed

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

67. Which of the following is/are *not* associated with higher quality decisions?

a. Timely information

b. Unbiased decision making processes

\*c. Ignoring uncertainties

d. Available and understandable reports

*Correct answer: c*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

68. Opportunity costs can be defined as:

\*a. the benefit foregone by choosing one alternative over another.

b. the cost of collecting information for decision making purposes.

c. the costs incurred when the wrong decision is made.

d. all of the options listed.

*Correct answer: a*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

69. Cost–benefit analysis is only necessary when:

1. there are opportunity costs to consider.

b. there are more than two courses of action.

c. when the decision concerns the reliability of product cost data.

\*d. none of the options listed is correct.

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

70. Uncertainty may hinder a manager’s ability to:

I adequately define a problem.

II identify all potential solution options.

III predict the outcome of various solution options.

a. I and III only

b. II and III only

c. II only

\*d. I, II and III

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

71. Managers can make higher quality decisions by relying on all of the following *except*:

a. more complete information.

\*b. irrelevant information.

c. better decision-making processes.

d. information having less uncertainty.

*Correct answer: b*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

72. Which of the following adjectives describes higher quality information?

I Complete

II Costly to develop

III Relevant

a. I and II only

b. II and III only

c. I, II and III

\*d. I and III only

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

73. Higher quality reports are more:

I relevant.

II understandable.

III available.

a. I and II only

b. I and III only

c. II and III only

\*d. I, II and III

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

74. A higher quality decision is more:

I focused.

II thorough.

III biased.

a. I and III only

b. I, II and III

c. III only

\*d. I and II only

*Correct answer: d*

*Learning objective 1.3 ~ Communicate how managers can make higher-quality decisions using accounting information*

75. Irrelevant information may be:

I useful in decision making.

II internally generated.

III accurate.

a. I only

b. I and II only

\*c. II and III only

d. None of the above

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

76. Whether a given type of information is relevant or irrelevant depends on:

a. whether it is expressed in financial terms.

b. its objectivity.

\*c. its relation to the decision to be made.

1. its accuracy.

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

77. In a decision to lease premises or to build office space in Brisbane, which of the following is relevant?

a. The cost of office space for sale in Melbourne

\*b. The costs associated with construction of the new office space

c. The age of the employees currently working for the company

d. The personal preferences of the decision maker

*Correct answer: c*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

78. Frank is considering transportation modes to a client’s office. He can drive his own car at an incremental cost of $0.75 per kilometre or take a company car. If he takes his own car, he can be reimbursed $0.55 per kilometre. If Frank makes his decision strictly from his personal economic point of view, what is the relevant net cost associated with driving his own car?

a. $0.75

\*b. $0.20

c. $0.55

d. $0.00

*Correct answer: b*

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

79. A value chain is the sequence of business processes in which:

a. costs are determined with activity-based principles.

b. all non-value-added activities are eliminated.

\*c. value is added to a product or service.

d. managers determine prices.

*Correct answer: c*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

80. Value chains are most commonly viewed at the:

\*a. organisational level.

b. industry level.

c. product level.

d. management level.

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

81. An organisation’s value chain provides a framework for considering a range of management accounting issues such as:

I reinforcing initiatives such as activity-based costing.

II breaking down traditional representations of organisational activity.

III reflecting value chain relationships in terms of cost.

IV encourages a broader organisational view.

a. I and II

b. I and III

c. II and IV

\*d. I, II, III and IV

*Correct answer: d*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

82. Managers often break activities into four groups for value chain analysis. Which of the following is not an activity category among those four groups?

a. Unnecessary activities that can be eliminated eventually

b. Necessary activities that could be changed to improve the process

c. Necessary activities that cannot be improved upon at this time

\*d. Unnecessary activities that cannot be eliminated

*Correct answer: d*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

83. The supply chain:

a. does not include inside suppliers.

b. does not include outside suppliers.

\*c. is the flow of resources from initial supplier through to delivery to end customers.

d. is the flow of resources from initial supplier through to the final product.

*Correct answer: c*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

84. Which of these statements concerning the value chain is correct?

a. The value chain and the supply chain are different names for the same thing.

b. The value chain essentially internalises an organisations’ thinking.

\*c. Enables the financial measurement of downstream and upstream activities.

d. All of the options listed are correct.

*Correct answer: c*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

85. Which of the following are examples of a cost object?

I Product

II Accounting department

III A haircut

a. I and II only

b. I, II and III

c. I only

\*d. I, II and III

*Correct answer: d*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

86. Inputs or activities that cause changes in the total cost of a cost object are:

a. value added activities.

\*b. cost drivers.

c. quality costs.

d. unimportant in activity-based costing.

*Correct answer: b*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

87. The following are examples of executional cost drivers except for:

a. capacity utilisation.

b. product configuration.

c. workforce involvement.

\*d. experience.

*Correct answer: d*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

88. In decentralised structures it is common for there to be:

\*a. separate business units or divisions.

b. little organisational complexity.

c. direct reporting lines to the CEO.

d. all of the options listed.

*Correct answer: a*

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

**Essay/matching questions**

89. Consider the following activities, which could be undertaken by managers at Air New Zealand. Indicate whether each item is most likely part of:

S — organisational strategies

P — operating plans

A — actual operations or

M — measuring, monitoring and motivating.

Each item has only one correct response.

1. Comparing actual revenues with budgeted revenues

2. Developing processes for handling customer complaints

3. Handling customer complaints

4. Hosting an annual employee picnic

5. Maintaining high quality customer service

6. Negotiating contracts with the flight attendant union over the next six months

7. Opening a new route to Perth

8. Implementing a new luggage tracking system

9. Valuing training for employees to increase organisational competence

10. Reporting periodic financial results

*Learning objective 1.1 ~ Recognise the types of decisions managers make for an organisation*

*Answer:*

1. Comparing actual revenues with budgeted revenues = M

2. Developing processes for handling customer complaints = P

3. Handling customer complaints = A

4. Hosting an annual employee picnic = M

5. Maintaining high quality customer service = S

6. Negotiating contracts with the flight attendant union over the next six months = A

7. Opening a new route to Perth = A

8. Implementing a new luggage tracking system = A

9. Valuing training for employees to increase organisational competence = S

10. Reporting periodic financial results = M

90. The owner of a local delicatessen is deciding whether to lease a company van. If the van is leased, the company would avoid paying its vendors to deliver the supplies and food purchases. The owner has negotiated a potential lease contract that would require a down payment plus a flat monthly rental payment. At the end of each year, an additional ‘contingency’ rental payment would be required if the total number of kilometres driven exceeds 12 000. The owner has estimated that the van will be driven 900 kilometres per month for picking up supplies and food purchases, so she does not expect to incur a contingency annual payment. Based on these kilometres, the owner has calculated the expected amount of cost for fuel, repairs and maintenance. She has received a quote from her insurance company for the next six months’ insurance. She plans to hire a part-time employee at $15 per hour to drive the van. The employee will work a flexible schedule based on the deliveries required. Items 1 through 7 are relevant costs for this decision. Indicate whether the dollar amount of each relevant cost is most likely

C certain or

U uncertain.

Each item has only one correct response.

1. Lease down payment

2. Monthly lease rental payments

3. Contingency annual payment

4. Fuel, repairs and maintenance

5. Van insurance for the next six months

6. Part-time employee wages

7. Reduction in vendor delivery charges

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

*Answer:*

1. Lease down payment = C

2. Monthly lease rental payments = C

3. Contingency annual payment = U

4. Fuel, repairs and maintenance = U

5. Van insurance for the next six months = C

6. Part-time employee wages = U

7. Reduction in vendor delivery charges = U

91. Indicate whether each of the following items is primarily:

I — an internal report or

E — an external report.

Each item has only one correct response.

1. Evaluating a potentially new business

2. Modifying the mixtures in the production process

3. New product design

4. Operational budgets

5. Cash flow statement

6. Income statement

7. Inventory reports for managers

8. Acquisition of a new business

9. Analysis of supplier quality

10. ASIC reports

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

*Answer:*

1. Evaluating a potentially new business = I

2. MODIFYING the mixtures in the production process = I

3. New product design = I

4. Operational budgets = I

5. Cash flow statement = E

6. Income statement = E

7. Inventory reports for managers = I

8. Acquisition of a new business = E

9. Analysis of supplier quality = I

10. ASIC reports = E

92. Rick is an accountant. His boss has asked him to make a recommendation about buying or leasing new computer equipment for the accounting department. A decision has already been made to acquire a particular type of equipment. The only remaining decision is whether the equipment will be purchased or leased. Several pieces of information Rick might consider in his decision are listed below. Indicate whether each of the following items is:

R relevant or

I irrelevant to the decision.

1. Cost of current computer equipment

2. Interest rate for lease

3. Training costs for operating new computer

4. Cost of purchasing new equipment

5. Depreciation on old equipment

6. Future reliability of new equipment

7. Independent quality ratings on new equipment

8. Trade-in value of old equipment

9. Tax incentives to lease

10. Future depreciation rates

*Learning objective 1.2 ~ Discuss the role of cost and management accounting information in management decision making*

*Answer:*

1. Cost of current computer equipment = I

2. Interest rate for lease = R

3. Training costs for operating new computer = R

4. Cost of purchasing new equipment = R

5. Depreciation on old equipment = I

6. Future reliability of new equipment = I

7. Independent quality ratings on new equipment = I

8. Trade-in value of old equipment = I

9. Tax incentives to lease = R

10. Future depreciation rates = R

93. A value chain is the sequence of business processes in which value is added to a product or service. Consider a manufacturing company that produces and sells dog food. Match each business activity listed on the left with the element of the value chain that best describes it. Each item has only one correct answer.

|  |  |
| --- | --- |
| Advertising products to consumers | Supplier and raw material management |
| Combining material, labour and overhead to produce dog food | Research and development |
| Responding to internet enquiries for new flavours. | Customer service |
| Enforcing time and quality standards for raw material suppliers | Product manufacture |
| Investigating ways to develop a range of cat food | Product and process design |
| Implementing a new quality assurance process. | Marketing and sales |
| Selecting retailers to sell dog food to end consumers | Distribution management |

*Learning objective 1.4 ~ Describe the value chain framework and its applications in management accounting*

*Answer:*

1. Advertising products to consumers = Marketing and sales

2. Combining material, labour and overhead to produce dog food = Product manufacture

3. Responding to internet enquiries for new flavours = Customer Service

4. Enforcing time and quality standards for raw material suppliers = Supplier and raw material management

5. Investigating ways to develop a range of cat food = Research and development

6. Implementing a new quality assurance process = Product and process design

7. Selecting retailers to sell dog food to end consumers = Distribution management