Strategic Management Accounting – Module 2 Quiz

Here are some easy questions just to test you have understood the main points within this module.

Questions

Question 1

Which of the following statements about transaction costs is correct?

A Transaction costs can be avoided when two different organisations interact with each other.

B Transaction costs are important as they are part of the inter-linkages of the industry value chain.

C The most effective way to address transaction costs is to eliminate the transaction causing the cost.

D When transaction costs are high, a direct seller to buyer relationship is the best way to organise such activities.

Question 2

Which of the following statements about the key elements of enterprise governance is correct?

A The purpose of enterprise governance is sustainability.

B A key aspect of corporate governance is strategy execution.

C An important component of business governance is internal controls.

D Business governance is historical in its orientation.

Question 3

Which of the following statements about creating value is correct?

A Creating value means minimising adverse environmental impacts.

B Creating value is increasing the value of benefits beyond direct and opportunity costs.

C Creating value according to Kaplan & Norton (1992) is about what customers are willing to pay.

D Creating value according to Porter (1985) is a focus on the importance of innovation as a direct link to customer value.

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Question 4

Which of the following is a type of strategic value driver?

A Culture.

B Market awareness.

C Resource allocation.

D Performance measures.

Question 5

Select the statement that best defines strategy.

A Strategy involves strategic analysis, strategic planning, strategy choice and strategy implementation.

B Strategy involves creating a short-term plan that reflects the unique circumstances of an organisation.

C Strategy requires assessing factors that are outside of the organisation and long-term planning for the future.

D A good strategy for an organisation with a differentiated product is to decrease its price so that it can attract customers that are cost sensitive.

Question 6

Which of the following statements about competitive advantage is correct?

A A goal of competitive advantage is to achieve higher return on invested capital (ROIC).

B Competitive advantage is creating unique customer value that competitors are unable to match.

C Competitive advantage is when all competition is eliminated from the market that an organisation is operating in.

D Competitive advantage is a set of techniques for understanding and influencing an organisation's strategic position.

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Question 7

Which one of the following tools that supports strengths, weaknesses, opportunities and threats (SWOT) analysis is appropriate for conducting an analysis of the competitors in an industry?

A Product life cycle analysis.

B Porter's five forces model.

C The Boston Consulting Group (BCG) matrix.

D Political, economy, social and technological (PEST) analysis.

Question 8

Which of the following is a correct representation of a typical flow of products through the Boston Consulting Group (BCG) Matrix?

A Question mark to star to cash cow to dog.

B Star to cash cow to question mark to dog.

C Cash cow to star to question mark to dog.

D Question mark to cash cow to star to dog.

Question 9

Which of the following correctly describes a source of differentiation (Porter 1996)?

A Needs-based positioning is based on the choice of product or service varieties.

B Access-based positioning segments customers who are accessible in different ways.

C Variety-based positioning is based on servicing most or all the requirements of a particular group of customers.

D Innovation-based positioning helps organisations stay ahead of rivals in image, quality or other key differentiating characteristics.

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Question 10

Is it correct that in for-profit organisations, stakeholder groups are competing for scarce resources?

A Yes, because some stakeholder groups have the same value propositions.

B Yes, because delivering value requires some economic outlay or investment.

C No, because all stakeholders are collaborating to make the organisation successful.

D No, because each stakeholder group provides a different input to the organisation to transform into outputs.

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Solutions

Question 1: Correct answer is B

Explanation

Option A	This is incorrect because the opposite is true. Transaction costs occur every time two different organisations interact with each other.
Option B	This is correct because transaction costs require proper attention to manage them carefully as they are part of the inter-linkages of the industry value chain.
Option C	This is incorrect because the transaction itself may be a value adding activity and so rather than eliminate it, we should aim to perform the transaction in a more cost-effective way.
Option D	This is incorrect because where transaction costs are high and can be more economically performed by a large organisation, the business organisation will emerge as the best way to organise such activities.

Question 2: Correct answer is A

Explanation

Option A	This is correct because the purpose of organisations and therefore their control through enterprise governance is to achieve long term sustainability.
Option B	This is incorrect because strategy execution is related to business governance.
Option C	This is incorrect because a key component of corporate governance is internal controls.
Option D	This is incorrect because corporate governance is historical in its orientation and business governance is forward-looking.

Question 3: Correct answer is B

Explanation

Option A	This is incorrect because this relates to the IFAC Sustainability Framework requirements for an organisation to take full account of its impact on the planet and its people.
Option B	This is correct because an organisation creates value when the revenue it receives (benefits) is greater than the direct costs and opportunity costs of the resources used to create that value.
Option C	This is incorrect because it was Porter (1985) who focuses on the importance of customer value.
Option D	This is incorrect because it was Kaplan and Norton (1992) who asserted that innovation is directly linked to value.

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Question 4: Correct answer is B

Explanation

Option A	This is incorrect because organisation culture is affected by the chosen value driver rather than being an actual strategic value driver.
Option B	This is correct because there are four main types of strategic value drivers according to Thankor, DeGraff and Quinn (2001), collaboration; innovation; efficiency; and market awareness.
Option C	This is incorrect because the way resources are allocated in an organisation are affected by the chosen value driver rather than being an actual strategic value driver.
Option D	This is incorrect because the way performance is measured and rewarded in an organisation is affected by the chosen value driver rather than being an actual strategic value driver.

Question 5: Correct answer is C

Explanation

Option A	This is incorrect because this is the definition of strategic management.
Option B	This is incorrect because strategy is about creating long-term goal-oriented outward looking plans.
Option C	This is correct because strategy is planning to get to a goal, how resources will be allocated and which activities will be completed. It is focused on the future, goal-oriented and long-term.
Option D	This is incorrect because this is not defining strategy and is also incorrect because a sign of a good strategy is that an organisation with a differentiated product should be able to charge a premium price and will not choose to satisfy cost-sensitive customers.

Question 6: Correct answer is B

Explanation

Option A	This is incorrect because the goal of strategic management is to create sustainable competitive advantage for an organisation which results in a superior return on invested capital (ROIC).
Option B	This is correct because competitive advantage is creating unique customer value to give an organisation an edge over its competitors in the industry.
Option C	This is incorrect because competitive advantage cannot exist if all competition is eliminated from the market, this is an aim of strategic management.
Option D	This is incorrect because this is what is involved in strategic management.

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Question 7: Correct answer is B

Explanation

Option A	This is incorrect because product life cycle analysis covers internal analysis and covers analysis of an organisation's product portfolio.
Option B	This is correct because Porter's five forces model is the most appropriate tool for industry analysis and in particular for analysis of an organisation's competitors as it references the intensity of competition, as well as threats and powers of buyers/suppliers.
Option C	This is incorrect because the BCG matrix analysis is internal analysis and covers an analysis of an organisation's product portfolio.
Option D	This is incorrect because PEST analysis addresses the broader external environment beyond the industry value chain and covers national and global factors such as the economic, political, legal, social and technological environment.

Question 8: Correct answer is A

Explanation

Organisations introduce products as question marks in the hope that they will become stars. As stars enter the maturity phase they become cash cows, after which they may become dogs and should probably be eliminated from the organisation's portfolio.

Question 9: Correct answer is B

Explanation

Option A	This is incorrect because needs based positioning is based on servicing most or all the needs of a particular group of customers.
Option B	This is correct because access based positioning is segmenting customers who are accessible in different ways. Access can be based on customer geography or scale.
Option C	This is incorrect because variety based positioning is based on the choice of product or service varieties and can be a sub-set of an industry's product or services.
Option D	This is incorrect because innovation is not one of Porter's (1996) sources of differentiation.

Question 10: Correct answer is B

Explanation

All value delivery requires some economic outlay and therefore all stakeholder groups are in competition for scarce resources.