



Strategic Management Accounting – Module 1 Quiz

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

Questions

Question 1

Which one of the following statements about the difference between financial reporting and management accounting is correct?

- A Management accounting information is consolidated and is produced after the event.
- B Management accounting does not have direct guidance in the form of a conceptual framework and standards.
- C Financial reporting is about the future, is produced when needed and is made up of both financial and non-financial information.
- D Financial reporting information includes information on benchmarking, performance measurement and actual compared to plan.

Question 2

Which one of the following correctly represents the external user groups and the decisions supported by accounting information?

- | | <i>External user groups</i> | <i>Decisions supported by accounting information</i> |
|---|-----------------------------|--|
| A | Lenders | Are there warranties and after sales support? |
| B | Suppliers | Whether there are going to be repeat orders and payment of any purchases made on credit? |
| C | Customers | Observing the organisation to determine if conciliation and arbitration is required. |
| D | Government /interest groups | Is the organisation able to pay the interest and repay the amount that it borrowed? |

Question 3

Which one of the following is *not* stated as a key challenge facing management accountants?

- A Managing resources.
- B Promoting innovation.
- C Ensuring information is secure and controlled while promoting and developing e-business.
- D Effectively using technology and enabling others.



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Question 4

Which one of the following is a strategic management process?

- A Providing costings and other information as required to guide routine and non-routine decisions.
- B Analysing variances, developing performance and reward systems, and evaluating internal controls.
- C Resource allocation via budgeting, and giving information to employees setting expectations of activity.
- D Evaluate and rank the feasibility and profitability of strategies, considering both capital budgeting (discounted cash flow measures) and strategic costs/benefits.

Question 5

Which one of the following statements regarding risks is *not* correct?

- A Reputational risk is the risk of damage to an organisation's reputation or brand.
- B Operational risk is the risk of errors or mistakes occurring in the tasks or activities undertaken by an organisation.
- C Financial reporting risk is the risk of not providing internal management with accurate and clear information.
- D Quality risk is the risk of failing to design products or services appropriately or failing to ensure policies and procedures are followed.

Question 6

Which one of the following cost classifications is *most* important when preparing a list of performance measures for a management team?

- A Relevant / sunk
- B Direct / indirect
- C Outlay / opportunity
- D Controllable / uncontrollable



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Question 7

Has the role of management accountants changed?

- A No, traditional tasks remain and advances in technology and information systems make the management accountant's role easier.
- B Yes, as technology and information systems now capture routine information and management accountants can spend more time on variance analysis and budgeting.
- C Yes, as advances in information technology mean management accountants are spending less time on traditional tasks and more time on analysis of the external environment.
- D No, the role of the management accountant is the same, and management accountants need to spend more time on reporting on sustainability issues which in recent times is receiving increased attention.

Question 8

What is the primary objective of strategic management accounting?

- A To create sustainable value and improve organisation outcomes.
- B To create organisation strategy, implementation plans and performance measures.
- C To enable an organisation to determine what types of products it will supply or services it will offer.
- D To ensure that an organisation meets its compliance obligations to shareholders, government and society.

Question 9

Is the focus of strategic management accounting to provide useful information that supports operational and strategic management decisions?

- A No, this is the role of financial or external reporting.
- B Yes, as strategic management accounting supports decisions in relation to internal areas such as supplier selection, strategic choice, and pricing.
- C No, as strategic management accounting does not support management decisions on industry analysis.
- D Yes, as strategic management accounting information primarily assists financial institutions in deciding on financial activities.



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Question 10

Which of the following correctly outlines external factors that have led to changes in the contemporary business environment and management accounting?

- A The increasing trend towards outsourcing non-essential activities and the rapid developments in information and communications technology.
- B The emergence of a small companies that have global reach and the increasing and broader focus from stakeholders on corporate accountability.
- C Global economic events such as the global financial crisis and changing organisational structures resulting in the removal of layers of middle management.
- D Growth in the number of employees working from virtual offices and the changing organisational structures resulting in the removal of layers of middle management.



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Solutions

Question 1: Correct answer is B

Explanation

- Option A This is incorrect because this is true of financial reporting but not management accounting.
- Option B This is correct because management accounting does not have the direct guidance that exists for financial accounting.
- Option C This is incorrect because this is true of management accounting not financial reporting
- Option D This is incorrect because this is true of management accounting not financial reporting

Question 2: Correct answer is B

Explanation

- Option A This is incorrect because the decision supported by accounting information for this option relates to the customers external user group and not to lenders.
- Option B This is correct because the decisions supported by accounting information correctly matches the suppliers' external user group.
- Option C This is incorrect because the decision supported by accounting information for this option relates to the government / interest groups external user group and not to customers.
- Option D This is incorrect because the decision supported by accounting information for this option relates to the lenders external user group and not to government / interest groups.

Question 3: Correct answer is C

Explanation

- Option A This is incorrect because this is one of the key challenges facing management accountants.
- Option B This is incorrect because this is one of the key challenges facing management accountants.
- Option C This is correct because this is a key technology-linked challenge facing organisations overall rather than management accountants.
- Option D This is incorrect because this is one of the key challenges facing management accountants.



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Question 4: Correct answer is D

Explanation

- Option A This is incorrect because this is listed as a 'generic operational management task'
- Option B This is incorrect because this is listed as a 'generic operational management task'
- Option C This is incorrect because this is listed as a 'generic operational management task'
- Option D This is correct because this is listed as an activity associated with the strategic task of strategic planning and choice

Question 5: Correct answer is C

Explanation

- Option A This is incorrect because this is the correct explanation of reputational risk as provided in the study guide.
- Option B This is incorrect because this is the correct explanation of operational risk as provided in the study guide.
- Option C This is correct because financial reporting risk is the risk of not providing external users (not internal management) with accurate and clear information.
- Option D This is incorrect because this is the correct explanation of quality risk as provided in the study guide.

Question 6: Correct answer is D

Explanation

- Option A This is incorrect because these cost classifications are more related to investment decisions
- Option B This is incorrect because these cost classifications are more related to gathering information for costing decisions
- Option C This is incorrect because these cost classifications are more related to investment decisions
- Option D This is correct because when we want to evaluate performance, we must ensure that the costs can actually be controlled by the particular individual, team or department. Therefore knowing if a cost is controllable or uncontrollable is important when preparing performance measures.



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Question 7: Correct answer is C

Explanation

- Option A This is incorrect because the role of management accountants has broadened from traditional score keeping to business advisory and this has been in the main, brought about by advances in technology and information systems.
- Option B This is incorrect because whilst it is true that the role of management accountants has changed, the second statement is incorrect. Variance analysis and budgeting are traditional management accounting activities and modern day management accountants are performing less of these activities.
- Option C This is correct because advances in technology and information systems are enabling management accountants to spend more time on analysis of the external environment, non-routine and complex decision making.
- Option D This is incorrect because the role of management accountants has changed from traditional score keeping to business advisory and this has been in the main, brought about by advances in technology and information systems.

Question 8: Correct answer is A

Explanation

- Option A This is correct because the primary objective of strategic management accounting is the creation of sustainable value for organisations to improve an organisations outcomes. It is also acts as an enabler or catalyst that helps ensure strategic management activity occurs.
- Option B This is incorrect because this describes activities provided by strategic management to support the primary objective.
- Option C This is incorrect because this describes an objective of strategic management, which is supported by strategic management accounting.
- Option D This is incorrect because this is an objective of financial reporting or auditing.



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Question 9: Correct answer is B

Explanation

- Option A This is incorrect because the focus of financial or external reporting is to provide useful information to external users. The focus of strategic management accounting is to provide useful information to internal users.
- Option B This is correct because the focus of strategic management accounting is to provide useful information to management (internal users) to support both the day-to-day and strategic decisions of management.
- Option C This is incorrect because the focus of strategic management accounting is to provide useful information to management to support both the day-to-day and strategic decisions of management. Strategic management accounting information does support decisions on industry selection.
- Option D This is incorrect because whilst the first part of the statement is correct, strategic management accounting information is primarily for internal users (management) and not external users such as banks or financial institutions.

Question 10: Correct answer is B

Explanation

- Option A This is incorrect because the increasing trend towards outsourcing non-core activities is an internal factor impacting on changes to the business environment.
- Option B This is correct because the growth in the number of 'born global' small companies as a result of the internet and the increasing focus on corporate governance and a broader stakeholder focus on corporate accountability are both external factors impacting on changes to the business environment and therefore management accounting.
- Option C This is incorrect because changing organisational structures resulting in the removal of layers of middle management is an internal factor impacting on changes to the business environment for organisations.
- Option D This is incorrect because growth in the number of employees working from virtual offices and changing organisational structures are both internal factors impacting on changes to the business environment for organisations.