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| **Module MCQ Questions:** | **Answer** | **Explanation** |
| 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. | B | B is correct because the focus of strategic management accounting is to provide useful information to management (internal users) to support both the day-ID-day and strategic decisions of management.  A 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.  C 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.  D 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. |
| 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 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. | B | 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. The other options include internal factors impacting on changes to the business environment. |
| 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. | B | B is correct because strategic management accounting does not have the direct guidance that exists for financial reporting. |
| Which one of the following correctly represents the external user groups and the decisions supported by accounting information?   |  |  | | --- | --- | | **External user groups** | **Decisions supported by accounting information** | | A Lenders | Are there warranties and after sales support? | | B Suppliers | Will there be repeat orders and payment for credit purchases? | | C Customers | will conciliation and arbitration be required? | | D Government interest groups | Will the interest be paid and the amount borrowed repaid? |   A. A only  B. B only  C. C only  D. D only | B | B is correct. This is because the decisions supported by accounting information correctly matches the suppliers external user group.  A incorrectly shows decisions relating to the customers user group not lenders.  C incorrectly shows decisions relating to the government user group not customers.  D incorrectly shows decisions relating to the lenders user group not government/ interest groups. |
| 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 | C | C is correct because this is one of the key technology-linked challenges facing organisations rather than management accountants. All the other options are key challenges facing management accountants. |
| 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. | D | D is correct because this is an activity associated with the strategic task of strategic planning and choice. All the other options are 'generic operational management tasks'. |
| 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 | B | 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. |
| 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. | A | 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. |
| 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. | C | C 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.  A is incorrect because the role of management accountants has broadened from traditional scorekeeping to business advisory and this has been in the main, brought about by advances in technology and information systems.  B 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.  D is incorrect because the role of management accountants has changed from traditional scorekeeping to business advisory and this has been in the main, brought about by advances in technology and information systems. |
| 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. | 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 also acts as a driver or catalyst that helps ensure strategic management activity occurs.  The second option is incorrect because this describes activities provided by strategic management to support the primary objective.  The third option is incorrect because this describes an objective of strategic management, which is supported by strategic management accounting.  The fourth option is incorrect because this is an objective of financial reporting or auditing. |
| 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. | B | B 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.  A 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.  C 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.  D 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. |
| 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. | B | 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. The other options include internal factors impacting on changes to the business environment. |
| Which of the following tasks is least likely to be a strategic management accounting task? -  A. Evaluating a proposal to outsource printing  B. Calculating the loss on sale of plant and equipment  C. Providing accounting data for the organisation's strategic plan  D. Advising the managing director on whether the organisation should introduce product-based profit  centres | B | B is correct because its calculation would be based on book value and results would be required for the financial statements rather than for strategic analysis or planning. While the loss on sale of plant  and equipment may be useful information, it is not strategic when compared to the other options.  A, C and D are all likely strategic management accounting tasks because they all relate to providing information or advice to support internal management decision-making (which is a strategic management accounting task). |
| Which of the following best describes the major difference between traditional and strategic management accounting?   |  |  | | --- | --- | | **Traditional management accounting** | **Strategic management accounting** | | I focuses on the manufacturing environment | focuses on the public sector and service organisations | | II focuses on planning, evaluating and controlling | focuses solely on strategic-level issues | | Ill focuses on product costing | incorporates both financial and non- financial performance measures | | IV provides useful information to support managers | broadens the role to focus on value creation for all significant stakeholders |   A. I is correct  B. II is correct  C. Ill is correct  D. IV is correct | D | D is correct because it emphasises the key importance of value creation for all significant stakeholders (both internal and external) in strategic management accounting.  A is incorrect because traditional management accounting originated in manufacturing environments, but its focus broadened as the economy changed. Strategic management accounting still supports manufacturing companies.  B is incorrect because strategic management accounting does more than focus solely on strategic issues. In addition, strategic issues require planning, evaluating and controlling.  C is incorrect because traditional management accounting covers more than just product costing. Two major topics are budgeting and variance analysis. |
| Which of the following statements best describes customer value?  A. Creating and delivering products, services, outcomes or outputs that consumers are willing to pay for.  B. Aligning the activities within an organisation to make sure the final product is made effectively and efficiently.  C. The ability to generate superior returns on shareholder funds (or taxpayer funds in the case of public sector organisations).  D. Using customer account profitability analysis to ensure the organisation focuses on the customers that provide it with the greatest levels of profit. | A | A is correct because it focuses on the customer, and the clear evidence of customer value-revenue.  B is incorrect because even if the final product is produced efficiently and effectively, there is no guarantee that customers will be willing to pay for it.  C is incorrect because it focuses on shareholder value, rather than customer value. The creation of customer value leads to the creation of shareholder value.  D is incorrect because the focus of customer value is not on evaluating which customers give an organisation the most profit. This is customer profitability analysis. |
| Which of the following is a form of strategic management accounting support for the operational management task of planning?  A. Measuring individual, departmental, team and organisational performance.  B Preparing budgets and forecasts, using costing systems and providing historical data.  C. Using budgets to coordinate various departments and communicate organisational priorities to employees.  D. Identifying causes of Variance, establishing performance incentives and criteria, reconciliations and internal controls. | B | B is correct because budgeting is a tool used by management accountants to support operational management in creating and enhancing value. Budgeting is strategic when it is focused on value creation.  A, C and D are incorrect because they refer to aspects of operational management other than planning: A-evaluating; C—coordinating and communicating; and D-controlling. |
| Which of the following statements relating to organisational factors that influence the management accountant's work is correct?  A. Small organisations do not require a management accountant.  B. Not-for-profit organisations have less need of management accountants than profit-oriented organisations.  C. Service organisations have no inventory, so have no need of a management accounting function.  D. Measures of efficiency used by management accountants in the manufacturing sector are generally transferable to public sector organisations. | D | D is correct. The obvious example is the labour efficiency variance, which is relevant in any organisation employing labour.  A, B and C are all incorrect because there is no reason to think that management accounting tools such as budgets will not be useful to:  • A: small organisations  • B: not-for-profit organisations  • C: service organisations.  The study materials state that creating value is the focus of organisations rather than purely making a profit. Value is a much broader concept than profit. Management accountants support managers with information to help them create value independent of an organisation's size or sector. |
| LocalCo Pty Ltd (LocalCo) is an Australian provider of specialist technology for the computer games industry. LocalCo's current strategy is to compete overseas to capture new business and gain market exposure. While analysing market information, LocalCo's management accountant noted that several countries have become cautious about introducing more industries to multinational organisations and are protecting local interests. Many countries find it risky to continue opening industries to foreign competition because it affects financial stability, presents a cyber-intelligence risk and increases prices. These factors have added to volatility in global markets, with serious challenges including high business risk and reduced margins. Which of the following is the most important challenge that LocalCo's management accountant will need to consider when advising management regarding its strategy?  A. The volatility of global markets has resulted in business risk and reduced profit margins.  B. The service sector has become increasingly important while manufacturing has declined.  C. New technology allows faster and cheaper production, but accelerates product life cycles.  D. Notions of corporate social responsibility have created a demand for greater accountability. | A | A is correct because volatility of global markets has resulted in business risk due to stringent regulatory controls by governments in several countries and reduced profit margins.  B is incorrect because it is a change that has been influential in changing the role of the management accountant. Management accounting was originally developed in the manufacturing environment and has been extended into the service sector as many economies have shifted in this direction. This has meant a decline in the emphasis on inventory accounting.  C is incorrect because it is a change that has been influential in changing the role of the management accountant. Acceleration of product life cycles has shifted costs and the emphasis of costing systems, from the manufacturing phase of the life cycle to the upstream and downstream phases.  D is incorrect because it is a change that has been influential in-changing the role of the management accountant. Increased accountability for social and environmental performance has been influenced by a broader range of stakeholders. |
| The role of the management accountant has evolved to have a more strategic focus. Which of the following activities is not appropriate to the role of the strategically oriented management accountant?  A. Designing information systems that enable users to access information for themselves.  B. Designing control systems that promote ethical behaviour and corporate social responsibility (CSR).  C. Acting as a business partner and consultant to management with a focus on improving results and creating value.  D. Acting as the overseer of management, and avoiding any involvement in activities that might create a conflict of interest. | D | D is correct. While the Study guide points to some controversy in this area, it is clear that the management accountant's role is that of a business partner, with a focus on enhancing performance. D is an important consideration for accountants, but this is a control function and, as such, applicable to an accountant's conformance responsibilities rather than their strategic role. The conformance role is often assigned to financial accountants rather than management accountants. These matters are discussed further in the section of Module 2 on governance.  A is incorrect because it is important to management performance and effective decision-making, as it ensures that users have timely access to information and are familiar with the information systems relevant to their role.  B is incorrect because it is strategically important as it has a strong external stakeholder focus.  C is incorrect because it is the overriding consideration for guiding strategic management accounting activities. |
| Which of the following statements best describes the purpose of product life cycle analysis?  A. To increase the probability that pew products will become 'stars'  B. To determine the market share and growth potential of an organisation's products  C. To identify and manage the risks associated with an organisation's product offerings  D. To understand and plan for the cash flow required by an organisation's product offerings | C | C is correct because the main purpose of product life cycle analysis is similar to that of portfolio analysis—to reduce risk. As such, product life cycle analysis is an important part of the strategic analysis for an organisation. Understanding risk is critical to strategic planning.  A is incorrect as a star is a product classification associated with the Boston Consulting Group BCG growth/share matrix, not product life cycle analysis.  B is incorrect as market share and growth measures are associated with the BCG matrix, not product life cycle analysis.  D is incorrect as cash flow management is just one aspect of the risk management process associated with understanding an organisation's product portfolio. |
| XYZ Pty Ltd (XYZ) is considering optimising its business operations to minimise operating cost. While Preparing a business plan, the management accountant noted the following information:  • Governments no longer rely on legislation and regulation to deliver social and environmental objectives —this has resulted in the exploration of voluntary and non-regulatory initiatives instead. . Changes in the business environment have meant that companies, and in particular small companies, have a more global reach.  • There is a growing demand for corporate disclosure from stakeholders, with investors now making decisions based on ethical concerns.  • Many companies are introducing 'supplier codes of conduct' to ensure their suppliers operate in a socially responsible manner.  Given this information, which of the following would be the most important external factor for XYZ to consider?  A. The increasing trend towards outsourcing non-essential activities and the rapid developments in information technology.  B. The rise of small companies that have global reach and the increasing focus from stakeholders on corporate accountability.  C. Global economic events such as the Global Financial Crisis (GFC) and changing organisational structures resulting in the removal of middle and lower management layers.  D. Growth in the number of employees working from virtual offices and changing organisational structures resulting in the removal of middle and lower management layers. | B | B is correct because the growth in the number of global small companies as a result of the internet, the increasing focus on corporate governance and a broader stakeholder focus on corporate accountability are factors affecting the business environment and therefore management accounting.  A is incorrect because the increasing trend towards outsourcing non-core activities is an internal factor that affects the business environment.  C is incorrect because changing organisational structures resulting in the removal of layers of middle management is an internal factor that affects the business environment for organisations.  D is incorrect because growth in the number of employees working from virtual offices and changing organisational structures are both internal factors that affect the business environment for organisations. |
| What is the primary objective of strategic management accounting?  A. To create sustainable value and improve organisational outcomes.  B. To create organisational 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 | A | A is correct because the primary objective of strategic management accounting is the creation of sustainable value for organisations to improve an organisation's outcomes. It also acts as an enabler or catalyst that helps ensure strategic management activity occurs.  B is incorrect because this describes activities provided by strategic management to support the primary objective.  C is incorrect because this describes an objective of strategic management, which is supported by strategic management accounting.  D is incorrect because this is an objective of financial reporting or auditing. |
| The automobile industry has become increasingly fragmented as the major companies narrow the scope of their activities to those tasks or functions where they have a competitive advantage. For example, many automotive companies specialise in the design of new cars and outsource the manufacture of parts and components used in the assembly of new vehicles.  In designing a vehicle, assume the six major development activities that can be performed by an automotive maker are as follows.  Development activities  I. Product engineering—designing parts and components  II. Basic engineering—developing the basic technological features of the product  III. Concept generation—conducting market research to identify future market needs, and combining these needs with the technical possibilities of existing and future technology to develop a product concept  IV. Pilot run—testing the performance of the manufacturing process prior to entering full-scale production  V. Product planning—developing the product concept into a product design, including styling and target costs  VI. Process design—designing manufacturing processes for the new product  Taking a value chain perspective, what is the sequential order in which the six development activities should be performed by the automotive maker?  A activities III, V, II, I, VI and IV  B activities V, III, I, II, VI and IV  C activities III, II, V, I, VI and IV  D activities I, III, V, II, VI and IV | A | The correct answer is Option A. In taking a value chain perspective, the sequential order in which the six major development activities for designing a vehicle would be performed by the automotive maker is activities III, V, II, I, VI and IV.  Sequence  Activity  Description of development activity  1 III Concept generation—conducting market research to identify future market needs, and combining these needs with the technical possibilities of existing and future technology to develop a product concept  2 V Product planning—developing the product concept into product design, including styling and target costs  3 II Basic engineering—developing the basic technological features of the product  4 I Product engineering—designing parts and components  5 VI Process design—developing manufacturing processes for a new product  6 IV Pilot run—testing the performance of the product and the manufacturing process prior to entering full-scale production  Options B, C and D are incorrect because they list the development activities in the incorrect order. |
| Which one of the following statements relating to organisational factors that influence the management accountant’s work is correct?  A Small organisations do not require a management accountant.  B Not-for-profit organisations have less need of management accountants than profit-oriented organisations.  C Service organisations (e.g. banks) have no inventory, so have no need of a management accounting function.  D Measures of efficiency used by management accountants in the manufacturing sector are generally transferable to public sector organisations. | D | The correct answer is Option D. The obvious example is the labour efficiency variance, which is relevant in any organisation employing labour.  Options A, B and C are all incorrect because there is no reason to think that management accounting tools such as budgets will not be useful to:  • A: small organisations  • B: not-for-profit organisations  • C: service organisations.  The study materials state that creating value is the focus of organisations rather than purely making a profit. Value is a much broader concept than profit. Management accountants support managers with information to help them create value independent of an organisation’s size or sector. |
| Which one of the following best describes that part of the strategic management process within an organisation that examines its competitive position in relation to products, production facilities, non-current assets, people, organisational structures and current operating results?  A SWOT analysis  B internal analysis  C external analysis  D stakeholder analysis | B | The correct answer is Option B. All of the issues identified in this question (products, production facilities, etc.) are mainly internal concerns and so internal analysis is the best answer. Much of the management accountant’s role is to help the organisation identify and create a sustainable competitive advantage. So, while the word ‘competitive’ may intrinsically have an external focus, the organisation still needs to look internally to maximise its strengths and improve its competitive position. Option A is incorrect. While SWOT might have a partly internal focus, it is not the best answer because it also has a 50 per cent external focus. Option C is incorrect because the issues are mainly internal. Option D is incorrect because no specific mention is made of stakeholders. |
| Which one of the following is not one of the competitive forces in an industry in Porter’s five forces model?  A the threat from substitute products  B rivalry between organisations in an industry  C the convergence of an organisation’s technology  D the bargaining strength of an organisation’s customers | C | The correct answer is Option C. Convergence of an organisation’s technology is not one of the forces in Porter’s five forces model. Convergence may provide opportunities to the organisation, but it is not in Porter’s five forces model. Options A, B and D are incorrect because they are three of the forces in Porter’s five forces model. The remaining two forces are the threat of new organisations entering the industry, and the bargaining power of the organisation’s suppliers. |
| Which one of the following statements does not correctly describe an organisation’s value chain?  A the primary and support activities from which the organisation can derive a competitive advantage  B a series of linked and strategically relevant activities that deliver products or services that the organisation’s customers value  C a set of interrelated activities that provide opportunities for optimising the collective value derived from the interdependencies  D an aggregation of independent and strategically relevant activities that collectively contribute to the economic value generated by the organisation | D | The correct answer is Option D. The value chain comprises primary and secondary (or support) activities that are interrelated and deliver products or services that the organisation’s customers value. Thus, an organisation’s value chain cannot be an aggregation of independent, yet strategically relevant, activities collectively contributing to the economic value generated by the organisation. Options A, B and C are incorrect because they provide valid descriptions of value chains, as noted above. |
| Retrop Pty Ltd (Retrop) plans to purchase a business that specialises in manufacturing a component used extensively in its product range. Retrop is concerned about the prices it currently pays for parts and components it uses in its manufacturing process. The form of business combination contemplated by Retrop would be best described as an example of  A vertical integration.  B horizontal integration.  C a competitive alliance.  D a collaborative alliance. | A | The correct answer is Option A. The contemplated acquisition of an upstream value chain member (i.e. a supplier) by Retrop is an example of upstream vertical integration.  Option B is incorrect because horizontal integration entails the acquisition of a rival company to Retrop with the aim of expanding market share. As the company is contemplating an acquisition, both Options C and D are incorrect. An alliance is an association that does not involve ownership or property rights. Alliances are collaborative. However, there are certain types of alliances where competitors join forces to engage in a new product or new market. These are termed ‘competitive alliances’, and while the parties may compete with each other outside the alliance, they are not competing against each other within the alliance. |
| In a manufacturing environment, which one of the following is a non-value-adding activity?  A machining a metal casting  B painting an assembled unit prior to shipment  C moving partly finished production to a work-in-process (WIP) storage area  D packing finished production into containers for shipment to customers | C | The correct answer is Option C. Option C is not essential because it does not change or transform the physical characteristics of the product. Moving could be eliminated by reorganising the manufacturing process. Options A, B and D are incorrect because they are all essential activities in creating a final product. |
| An organisation is conducting a value analysis as part of its strategic management process. Management plans to construct both the organisation’s value chain and the value chain for its industry. Which one of the following statements about industry value chains is correct? The industry value chain  A can be either vertical or horizontal.  B is a sequence or network of activities.  C is a sequence or network of business roles.  D is used to support activity-based management. | C | The correct answer is Option C. The industry value chain is a sequence or, in more complex applications, a network of business roles. Upstream business roles are concerned with resources and raw materials; downstream roles include wholesaling and retailing. Option A is incorrect because it makes reference to the main strategic purpose of industry value analysis—creating the organisation’s role in the industry through strategies of vertical or horizontal integration. Option B is incorrect because activities are the basis for organisational value chains, not industry value chains. This is a common source of confusion for candidates. Option D is incorrect. Activity-based management focuses on organisational value chains because these are composed of activities. |
| A software manufacturer is experiencing a high level of customer complaints. Customers say that the software products are unreliable and do not meet their needs. The organisation has decided to establish a relationship with two major customers (who are both computer manufacturers) to ensure that the software meets their requirements. Which one of the following statements is correct? The manufacturer  A is using collaboration as the value driver in its value chain.  B should focus on products that are popular with its customers.  C is improving customer value by creating upstream linkages in the value chain.  D is experiencing internal failures and needs to provide better training to its software developers. | A | The correct answer is Option A. Collaboration is one of the main sources of value. The other main categories of value drivers are innovation, efficiency and market awareness. Option B is incorrect. While a focus on popular products may be effective, this is only true when these products are profitable and have some growth potential. Option C is incorrect because the customer is a downstream industry participant.  Option D is incorrect because the manufacturer is experiencing external failures, not internal. Also, the training of software developers may not be the issue; it is more likely that the company has a poor understanding of its customers’ needs. |
| From a customer perspective, a value-adding activity is one that  A increases the value of the product to the customer.  B the organisation has determined is essential in the manufacturing of the product.  C is the type of activity on which the organisation must focus.  D increases the value of the product to the customer, and the customer is prepared to pay for the added value. | D | Option D is correct because it increases the value of the product to the customer and the customer is prepared to pay for the added value. Option A is incorrect because it may increase the value of the product to the customer but the customer is not willing to pay for the value-added component. Option B is incorrect because the organisation has determined that it is essential in the manufacturing of the product not to add value. Option C is incorrect because the type of activity on which the organisation must focus is essential to produce but not to add value. |
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