

WARNING

This material has been reproduced and communicated to you by or on behalf of *Charles Darwin University* in accordance with section 113P of the *Copyright Act 1968 (Act)*.

The material in this communication may be subject to copyright under the Act.
Any further reproduction or communication of this material by you may be the subject of copyright protection under the Act.

Do not remove this notice



Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 1, 2019				

ACT302 – Strategic Management Accounting	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
1.1	The examination has five (5) Short Essay Questions: Answer ALL (5) questions.	
1.2	Note that each question is of equal value however parts of each question ARE NOT of equal value. Marks as indicated by lecturer.	
1.3	Read ALL questions carefully.	
EXAM CONDITIONS		
<u>You may begin writing from the commencement of the examination session.</u> The reading time indicated above is provided as a guide only.		
This is a RESTRICTED OPEN BOOK examination		
Any non-programmable calculator is permitted		
No handwritten notes are permitted		
Hard copy, unannotated English translation dictionary only		
ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED	
No additional printed material is permitted	1 x 8 Page Book 1 x Scrap Paper	

**THIS EXAMINATION IS PRINTED
DOUBLE-SIDED.**

**THIS PAGE HAS BEEN INTENTIONALLY
LEFT BLANK.**

QUESTION 1**(10 Marks - Suggested time approx. 35 minutes)**

- a) One of the key issues associated with management control is the alignment of the organisation's interests with those of the management of the organisations (goal congruence). Normally, this is achieved with a compensation plan that rewards executive management for good financial performance. Agency Theory explores how contracts and incentives can be created to motivate individuals to achieve goal congruence. Other theories related to the issue of motivation include Hertzberg's Hygiene Factors and Expectancy Theory.
- In this context, discuss the following statement. 'Managers should be rewarded only on the basis of their performance measures. In other words they should not be paid a fixed salary or other fixed non-financial rewards. The manager's remuneration should be in a form that directly reflects the performance of the economic unit they are responsible for'.
- Your discussion should include (but not be limited to) whether you agree (or disagree) with the statement and why; and a summary of the motivation theories indicated in the preamble to the question (above); and how these theories relate to this particular statement.

(4 marks - Suggested time 15 minutes)

- b) Describe and discuss the advantages and disadvantages associated with each of the following incentive compensation schemes.
- i. Individual incentive plans such as salary increases, bonuses, or other non-financial rewards.
 - ii. Profit Sharing and/or Gainsharing plans
 - iii. Share option plans
 - iv. Team based incentive plans.

(6 marks - Suggested time 20 minutes)

QUESTION 2**(10 Marks - Suggested time approx. 35 minutes)**

Performance evaluation and control in service organisations is different from that in manufacturing organisations. In the context of performance evaluation and managerial control, discuss the distinctive characteristics often associated with **Professional Service Firms (PSFs)** and the managerial implications of those characteristics, as well as the potential organizational responses to those implications. Your answer should include (but not be limited to) examples of **specific characteristics of PSFs**, and the related key issues, such as Pricing & Costing of services, Strategic Planning and Budgeting, Control of Operations and Performance Measurement and Appraisal.

QUESTION 3**(10 Marks - Suggested time approx. 35 minutes)**

- a) What are the essential characteristics of contemporary (modern) performance measurement systems?
(3 marks - Suggested time approx. 10 minutes)
- b) Describe in detail the four key perspectives in the balanced scorecard?
(2 marks - Suggested time approx. 7 minutes)
- c) This part of the question requires you to demonstrate how a strategy map be used in developing and testing an organisation's strategy.

Firstly explain how a strategy map can be used in developing and testing an organisation's strategy.

Then, using the data provided below you should provide an example to illustrate your answer by indicating the measures (listed in alphabetical order below) that you would expect to see under each perspective in the company's balanced scorecard. Demonstrate your answer using a strategy map.

A company might compete and plan to grow by selling high quality products at a low price and delivering them to customers quickly after receiving customers' orders. There are many other manufacturers who produce similar products. The company believes that continuously improving its production processes and having satisfied employees are critical to implementing its strategy.

- Cost reductions in key areas.
- Customer satisfaction index.
- Employee satisfaction ratings.
- Market share in motor market
- Number of new customers
- On time delivery.
- Operating profit from growth
- Operating profit from productivity gain
- Order delivery time
- Percentage of employees trained in process and quality management
- Productivity

(5 marks - Suggested time approx. 18 minutes)

QUESTION 4**(10 Marks - Suggested time approx. 35 minutes)**

- a) Describe and/or define Just-In-Time (JIT) and outline several of the main features associated with JIT.
(5 marks - Suggested time approx. 17 minutes)
- b) Traditionally inventory has been held:
- (i) To balance ordering /purchasing or setup costs and carrying costs
 - (ii) To assist in controlling the cost of purchases
 - (iii) To avoid production shutdowns because of unreliable production processes, defective materials & parts, unavailability of raw materials etc.
 - (iv) To satisfy customer demand.

Discuss how the JIT approach responds to the traditional reasons for holding inventory.

(5 marks - Suggested time approx. 18 minutes)

QUESTION 5**(10 Marks - Suggested time approx. 35 minutes)**

- a. Provide four examples of how management accounting information can be used to support a sustainability approach. (e.g. Including in product costs the environmental costs of activities undertaken to produce products) (2 Marks - Suggested time 7 minutes)
- b. What information might be added to a business' performance measurement system to support the organisation's climate change strategy? Discuss in full. Your answer should include (but not be limited to) examples of the types of information identified and discussion on how the different types identified might be used (8 Marks - Suggested time 28 minutes)