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Question 1

Question Type: MultipleChoice

H is a departmental manager in a private college. The main measure of performance used to assess the Department Manager's effectiveness is meeting the college budgets. The budget for each year is based on the actual expenditure of the previous year adjusted for specific one-off items.

Which of the following would arise from using the meeting of this type of budget as a performance measurement?

Options:

- A-** Cost overruns because managers might fail to meet their budgets.
- B-** Managers taking on new projects that have too much risk attached to them.
- C-** Managers engaging in unnecessary spending in order to avoid having their budgets reduced the following year.
- D-** Management of various departments not cooperating sufficiently with each other because each is very concerned that to do so would incur extra costs against their budgets.
- E-** Management refusing to provide some necessary service to students (for example, extra tutorials) because it would cause their budget not to be met.
- F-** Management taking more than the optimal number of students into their department.

Answer:

C, D, E

Question 2

Question Type: MultipleChoice

Passwords are frequently used to control access to computer systems.

Which of the following characteristics should a password have in order to make it effective?

Options:

- A-** Passwords should be short words or names that users will easily remember.
- B-** Passwords should contain 20 characters or more.
- C-** Passwords should be changed on a regular basis.
- D-** The strength of a password is increased by using upper and lower case and including numerals.
- E-** Passwords should be written down in a secret place.
- F-** Passwords should never be shared.

Answer:

C, D, F

Question 3

Question Type: MultipleChoice

DFG's call centre budgets four minutes for its operators to deal with a customer's enquiry and conclude the call. Team leaders are evaluated on the basis of the average call length.

Simone is a team leader. Her team's average call length is five minutes and 30 seconds. Simone accepts full responsibility. She encourages her team members to check that the customer is satisfied before concluding the call.

On investigation, it was discovered that 2% of the customers who dealt with Simone's team had to call DFG again within seven days. Other teams had an average of 25% of customers call back within seven days because their first call had not fully resolved their problem.

Which of the following statements are true?

Options:

A- The use of average call length may be leading to dysfunctional behaviour.

B- Simone is in breach of call centre policy.

- C-** It would be better to evaluate team leaders on the basis of multiple criteria.
- D-** Team leaders should be responsible for setting policy on performance measurement within the call centre.
- E-** Average call length should be replaced with the average rate of return calls as the primary performance measure for team leaders.

Answer:

A, B, C

Question 4

Question Type: MultipleChoice

VBN is a multinational company that has 60 subsidiary companies that operate in 11 countries. VBN evaluates the performance of each subsidiary as an investment centre, using residual income to measure performance.

Which THREE of the following threats of dysfunctional behaviour may arise from VBN's use of residual income to measure subsidiaries' performance?

Options:

- A-** Subsidiary boards may actively hedge translation risks.

- B-** Subsidiary boards may take a short-term view to investment projects.
- C-** Subsidiary boards may waste time by arguing over transfer prices.
- D-** Subsidiary boards may waste time and incur unnecessary fees in order to recognise gains on the revaluation of property.
- E-** Subsidiary boards may be motivated to spend heavily on capital expenditure in order to ensure that budget allocations are maintained and even increased.

Answer:

A, B, C

Question 5

Question Type: MultipleChoice

GHY is a listed company. Tom is GHY's CEO and Peter is its non-executive Chair of the Board. Tom and Peter both have substantial relevant business and industrial experience and both are believed to have considerable integrity. Tom and Peter quickly developed a good working relationship after Peter's appointment. They have become close friends.

Tom briefs Peter on every aspect of the business. Tom and Peter jointly agree the agenda for every board meeting and both agree on the manner in which matters will be presented to the board.

Taking account of the principles of good corporate governance, which of the following statements is correct?

Options:

- A-** It is entirely appropriate that Tom and Peter have this kind of relationship and both are acting in the best interests of the company.
- B-** Non-contentious board meetings show how well Tom and Peter are running the company and shows that the management is cohesive.
- C-** The relationship between Peter and Tom may have a detrimental effect on company decision making as the Board is not always being informed about matters in an unbiased manner.
- D-** Since the non-executive chair clearly has a significant role within this company there is little danger that any individual will become excessively dominant.

Answer:

C

Question 6

Question Type: MultipleChoice

Which THREE of the following are principles of good corporate governance according to the UK Corporate Governance Code?

Options:

- A- Leadership
- B- Reliability
- C- Remuneration
- D- Honesty
- E- Accountability

Answer:

A, C, E

Question 7

Question Type: MultipleChoice

Q is a company which generates electricity from alternative energy sources. It has just begun constructing a wind farm near a well-known beauty spot. The project has been controversial as campaigners say it will be noisy and unsightly.

The campaigners took legal action but lost the case. Some of them have started a campaign of direct action against Q and are physically blocking roads leading to the site and attempting to intimidate Q's staff.

Q has hired a security company to help it to protect its staff.

In relation to the ethics of this scenario, which of the following statements are valid?

Options:

- A-** Q is within its rights to hire the security firm because it has duty of care to its employees.
- B-** Q no longer has any duty of care to the protestors since their actions are illegal because they lost their court case.
- C-** The security firm must take care not to use more force against the protestors than is absolutely necessary.
- D-** Since the protestors have already lost their court case they would no longer be ethically justified in engaging in political lobbying to try to get the government to change the law in this area.
- E-** The generation of electricity from clean, renewable and sustainable sources is too important for the protestors' concerns to be considered.

Answer:

A, C

Question 8

Question Type: MultipleChoice

You are a member of the Chartered Institute of Management Accountants (CIMA) and you have recently taken up the position of Sales Manager with a company that is facing financial difficulties. The company's terms include a commitment to maintain specified profitability,

liquidity and solvency measures; failure to do so would render bank loans immediately repayable. The draft financial statements show that the company has not succeeded in complying with all of these requirements.

The financial results are very dependent on various estimates such as receivables impairments. The Chief Executive Officer (CEO) has suggested that these be recalculated so as to bring the financial results within the requirements of the bank. He has asked you to sign pre-dated internal documentation which would imply that, as Sales Manager, you initiated these changes in the belief that they would enhance the accuracy of the Financial Statements.

Which TWO of the following courses of action available to you would be ethically acceptable according to the CIMA Code of Ethics?

Options:

- A-** Refuse to sign the documentation on the grounds that you did not initiate this action, and to give the impression that you did would be unethical.
- B-** Agree to sign the documentation on the grounds that these matters are highly subjective anyway and the proposed changes are, at least, plausible.
- C-** Refuse to actually sign the documentation but make clear to the CEO that you will raise no objection if he amends the Financial Statements as if you had signed.
- D-** Seek legal advice on the matter because you feel you are being placed in a very difficult position.

Answer:

A, D

Question 9

Question Type: MultipleChoice

Kate is a management accountant. Her immediate superior plans to apply for a promotion and his strongest competitor is the sales manager. Kate's superior has ordered her to set unattainable sales targets in a sales budget in order to reduce the sales manager's promotion prospects. He told her not to tell anybody.

Kate asked the finance director for advice. He told her that he wanted her immediate superior to get the promotion and so she should set the unattainable budget as instructed.

Kate set the budget as instructed.

Which THREE fundamental ethical principles has Kate breached?

Options:

- A- Integrity
- B- Objectivity
- C- Professional competence and due care
- D- Confidentiality
- E- Professional behaviour

Answer:

A, B, E

Question 10

Question Type: MultipleChoice

The government health service in country H employs well over 100,000 staff in various locations throughout the country. Traditionally, local management has had high levels of autonomy in relation to personnel issues and there are several different human resources (HR) managers located across various regions.

The government has decided to introduce a completely new HR/payroll information system to have just one database containing all relevant information about every staff member on the payroll (start date, job title, salary and all other details) and to use this information to begin streamlining recruitment and HR policies.

The government has outsourced the system's development to a reputable company.

Which of the following are disadvantages associated with this IT project?

Options:

A- There is a risk that the system will not capture all of the existing terms and conditions of staff, thus leading to industrial relations problems later.

- B-** There is a risk that significant anomalies in the current system will be highlighted.
- C-** Any initial problems in running the system could have serious repercussions as it could lead to, for example, staff not being paid, payroll tax not being properly collected, and similar difficulties.
- D-** The system could make it more difficult to employ specialist medical staff on terms and conditions which are different from the normal terms and conditions available.
- E-** The amount of data storage space required to run the system may not be available.
- F-** The government is very heavily dependent on the contractor to whom this assignment is outsourced and if they do not to perform as required this could have serious consequences.

Answer:

A, C, F

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