**Question 1** *(Required, 2 to 3 lines on each point)***.**

In order to assist the managers and Board of Management you are compiling a resource which will define the various management accounting terms used in the process of strategic analysis.
Provide an explanation of the following terms, with examples which incorporates a reason why each concept is relevant or not relevant to decision-making:

* Sunk cost,
* Incremental cost,
* Opportunity cost,
* Cost structure,
* Tactical decisions.

**Question 2**

ORC offers its business clients a restricted menu for breakfast, available form 6.00 am to 9.00 am. The cooked meal component, usually eggs and up to 3 side orders is provided by the Hotel restaurant for a cost of $10 per order, irrespective of the items ordered.

The restaurant division manager has advised the ORC manager that the cost will rise to $15 from next month. The ORC manager has decided that based on quotes received from the café next door this service will be provided externally for the current market price ie $10 per order. The variable cost per meal delivered is $8. The restaurant has capacity to continue to offer the meal service.

The restaurant manager is unhappy and has asked you to direct the manager of ORC to continue to purchase the breakfast meals internally.

Required:

a) What effect, if any, does capacity have on the minimum transfer price? *(Required, 2 to 3 lines)*

b) Should the current transfer price be continued, why? If you disagree, what is your recommendation for the transfer price? *(Required, 5 lines)*

c) What other considerations should management factor into the decision making process in regard to purchasing from external sources or cutting the selling price? *(Required, 8 lines)*

**Question 3.**

The Board of Management had been focused on decision-making about events occurring in the next month, only ever considering a longer term question when they set budgets, which typically have focused on the previous year’s events. You would like to encourage the Board of Management to adopt a stronger strategic focus rather than operational in their approach to decision making. Explain the difference between operational and strategic management. Ensure you provide examples and current thinking about the role each type of decision-making plays within an organisation. *(Required, 2 to 3 paragraphs)*