

**Answer all questions**

**Section A**

**(35 questions each question contain 2 marks)**

**Question 1:**

Which of the following is not a fundamental attribute of good information?

- A. Complete.
- B. Concise.
- C. Cost effective.
- D. Timely.

(2 marks)

**Question 2:**

Which of the following is the appropriate name for planning which considers how the functional heads within a business unit will coordinate employees on a day-to-day basis?

- A. Strategic planning.
- B. Tactical planning.
- C. Operational planning.
- D. Non of the above.

(2 marks)

**Question 3:**

An organisation has the following total costs at three activity levels:

Activity level (units)	4,000	6,000	7,500
Total cost	\$40,800	\$50,000	\$54,800

Variable cost per unit is constant within this activity range and there is a step up of 10% in the total fixed costs when the activity level exceeds 5,500 units.

What is the total cost at an activity level of 5,000 units?

- A. \$44,000
- B. \$44,800
- C. \$45,400
- D. \$46,800

(2 marks)

**Question 4:**

Which of the following would be classed as indirect labour?

- A. A stores assistant in a factory store.
- B. Assembly workers.
- C. Plasterers in a building company.
- D. An audit clerk in an accountancy firm.

(2 marks)

**Question 5:**

Fixed costs are conventionally deemed to be which of the following?

- A. Constant per unit of output.
- B. Constant in total when production volume changes.
- C. Outside the control of management.
- D. Easily controlled.

(2 marks)

**Question 6:**

Which one of the following industries is most likely to use batch costing as the method to establishing the cost of products?

- A. Car repairs.
- B. Clothing.
- C. Oil refining.
- D. Non of the above.

(2 marks)

**Question 7:**

Which of the following is not a possible method of apportioning the joint costs of a manufacturing process?

- A. Physical quantity.
- B. Net book value.
- C. Market value at point of separation.
- D. Non of the above.

(2 marks)

**Question 8:**

A company manufactures and sells toys and incurs the following three costs:

- i. Rental of the finished goods ware house.
- ii. Depreciation of its own fleet of delivery vehicles.
- iii. Commission paid to sales staff.

Which one is the distribution costs?

- A. (i) and (ii) Only
- B. (i) and (iii) Only
- C. (ii) and (iii) Only
- D. (i), (ii) and (iii)

(2 marks)

**Question 9:**

A production worker is paid a salary of \$650 per month, plus an extra 5 cents for each unit produced during the month.

How is this type of labour cost best described?

- A. A variable cost.
- B. A fixed cost.
- C. A step cost.
- D. A semi-variable cost.

(2 marks)

**Question 10:**

A manufacturing company uses 25,000 components at an even rate during a year. Each order placed with the supplier of the components is for 2,000 components, which is the economic order quantity. The company holds a buffer inventory of 500 components.

The annual cost of holding one component in inventory is \$2.

What is the total annual cost of holding inventory of the component?

- A. \$2,000
- B. \$2,500
- C. \$3,000
- D. \$4,000

(2 marks)

**Question 11:**

An organisation manufactures a single product. The total cost of making 4,000 units is \$20,000 and the total cost of making 20,000 units is \$40,000. Within this range of activity the total fixed costs remain unchanged.

What is the variable cost per unit of the product?

- A. \$0.80
- B. \$1.20
- C. \$1.25
- D. \$2.00

(2 marks)

**Question 12:**

The demand for a product is 12,500 units for a three months period. Each unit of product has a purchase price of \$15 and ordering costs are \$20 per order placed.

The annual holding cost of one unit of product is 10% of its purchase price.

What is economic order quantity (to the nearest unit)?

- A. 577
- B. 816
- C. 866
- D. 1,155

**Question 13:**

Here are three statements on the determination of overhead absorption rates:

- 1) Costs can be allocated where it is possible to identify the department that caused them.
- 2) Costs need to be apportioned where they are shared by more than one department.
- 3) Service centre costs should not be included in unit overhead costs.

Which of the statements are correct?

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1),(2) and (3)

(2 marks)

**Question 14:**

The data below relates to last month's production of product Z:

Standard time allowed per unit	20 mints
Budgeted hours available	210 hours
Actual output	600 units in 220 hours

Which of the following is the correct labour capacity and efficiency ratio?

	<b>Labour capacity</b>	<b>labour efficiency</b>
<b>A.</b>	95.24 %	90.91%
<b>B.</b>	95.24 %	104.76%
<b>C.</b>	104.76 %	90.91%
<b>D.</b>	104.76 %	95.24%

(2 marks)

**Question 15:**

Which of the following statements is/are true about group bonus schemes?

- i) Group bonus schemes are appropriate when increased output depends on a number of people all making extra effort.
- ii) With a group bouns scheme, it is easier to award each individuals performance.
- iii) Non-production employees can be rewarded as part of a group incentive scheme.

- A.** (i) Only
- B.** (i) and (ii) Only
- C.** (i) and (iii) Only
- D.** (ii) and (iii) Only

(2 marks)

**Question 16:**

Last month a manufacturing company's profit was \$2,000 calculated using absorption costing principles. If marginal costing principles have been used, a loss of \$3,000 would have occurred. The company's fixed production cost is \$2 per unit. Sales last month were 10,000 units.

What was last month's production (in units)?

- A.** 7,500
- B.** 9,500
- C.** 10,500
- D.** 12,500

(2 marks)

**Question 17:**

The following data apply to a non-current asset:

	\$
Net realisable value	5,000
Historic cost	6,000
Net present value in use	7,500
Replacement cost	10,000

What is the relevant cost of the asset for decision making purposes?

- A. \$ 10,000
- B. \$ 7,500
- C. \$ 6,000
- D. \$ 5,000

(2 marks)

**Question 18:**

A company had 30 direct production employees at the beginning of last year and 20 direct production employees at the end of the year. During the year, a total of 15 direct production employees had left the company to work for a local competitor.

What is the labour turnover rate for last year?

- A. 16.7 %
- B. 20.0 %
- C. 25.0 %
- D. 60.0 %

(2 marks)

**Question 19:**

A manufacturing company has the following budgeted and actual results for the year:

Budgeted fixed overhead expenditure	\$504,000
Budgeted activity	42,000 machine hours
Actual fixed overhead expenditure	\$515,000
Actual activity	45,000 machine hours

What is the result of using the pre-determined fixed overhead rate for the year?

- A. \$ 11,000 under- absorbed
- B. \$ 25,000 under- absorbed
- C. \$ 25,000 over- absorbed
- D. \$ 36,000 over - absorbed

(2 marks)

**Question 20:**

Which of the following would be the most appropriate basis for apportioning machinery insurance costs to cost centres within a factory?

- A. The number of machines in each cost centre.
- B. The floor area occupied by the machinery in each cost centre.
- C. The value of the machinery in each cost centre.
- D. The operating hours of the machinery in each cost centre.

(2 marks)

**Question 21:**

A company has over-absorbed fixed production overhead for the period by \$6,000. The fixed production overhead absorption rate was \$8 per unit and is based on the normal level of activity 5,000 units. Actual production was 4,500 units.

What was the actual fixed production overheads incurred for the period?

- A. \$ 30,000
- B. \$ 36,000
- C. \$ 40,000
- D. \$ 42,000

(2 marks)

**Question 22:**

Absorption costing is concerned with which of the following?

- A. Direct material.
- B. Direct labour.
- C. Fixed costs.
- D. Variable and fixed costs.

(2 marks)

**Question 23:**

A company manufactures and sells a single product. For this month the budgeted fixed production overheads are \$48,000, budgeted production is 12,000 units and budgeted sales are 11,720 units.

The company currently uses absorption costing. If the company used marginal costing principles instead of absorption costing for this month.

What would be the effect on the budgeted profit?

- A. \$ 1,120 higher
- B. \$ 1,120 lower
- C. \$ 3,920 higher
- D. \$ 3,920 lower

(2 marks)

**Question 24:**

A company manufactures and sells a single product with a variable cost per unit of \$ 36. It has a contribution to sales ratio of 25%. The company has weekly fixed costs of \$ 18,000.

What is the weekly breakeven point (in units)?

- A. 1,500
- B. 1,600
- C. 1,800
- D. 2,000

(2 marks)

**Question 25:**

A manufacturing business has correctly scheduled production of its two products, so as to maximise profits, using the 7,500 labour hours currently available.

	<b>Product A</b> <b>\$ per unit</b>	<b>product B</b> <b>\$ per unit</b>
Materials	55	15
Labour (\$10 per hour)	15	20
Variable overhead	12	16
Selling price	82	75
Maximum demand (units)	5,200	3,800

What is the effect on profit if another 500 hours become available at the normal rate of \$10 per hour?

- A. 6,000
- B. 8,400
- C. 9,200
- D. 10,000

(2 marks)

**Question 26:**

A company operates a job costing system. Job number 1012 requires \$45 of direct materials and \$30 of direct labour. Direct labour is paid at the rate of \$7.50 per hour. Production overheads are absorbed at a rate of \$12.50 per direct labour hour and non-production overheads are absorbed at a rate of 60% prime cost.

What is the total cost of job number 1012?

- A. \$ 170
- B. \$ 195
- C. \$ 200
- D. \$ 240

(2 marks)

**Question 27:**

The following data relates to a process for the month of May:

	<b>\$</b>
Input material (500 litres)	3,000
Labour and overhead	2,670

Normal output is expected to be 9 litres for every 10 litres input. Actual output was 460 litres.

What is the cost per unit of finished output (to 2 decimal places)?

- A. \$ 11.33
- B. \$ 11.67
- C. \$ 12.33
- D. \$ 12.60

(2 marks)

**Question 28:**

Which of the following is not a characteristic of service costing?

- A. High levels of direct costs as a proportion of total costs.
- B. Intangibility of output.
- C. Use of composite cost units.
- D. Can be used for internal services as well as external services.

(2 marks)

**Question 29:**

Which of the following statistics is unlikely to be used by the rooms department of a hotel business?

- A. Cleaning cost per room.
- B. Room occupancy.
- C. Average cost per occupied bed.
- D. Meals served per quest.

(2 marks)

**Question 30:**

Last year, Bryan Air carried excess baggage of 250,000 kg over a distance of 7,500 km at a cost of \$3,750,000 for the extra fuel.

What is the cost per kg.km?

- A. \$0.002 per kg.km
- B. \$2.00 per kg.km
- C. \$33.33 per kg.km
- D. \$500.00 per kg.km

(2 marks)

**Question 31:**

Which of the following statements is true?

- A. The principal budget factor is the person who is responsible for controlling and coordinating the budget process.
- B. A business must always produce its sales budget first, before any other budgets can be decided on.
- C. The budget committee consists of managers with final responsibility for agreeing the budget.

(2 marks)

**Question 32:**

In a process account, how are abnormal losses are valued?

- A. At their scrap value.
- B. The same as good production.
- C. At the cost of raw materials.
- D. The same as normal losses.

(2 marks)



**Question 33:**

A company operates a continuous process into which 3,000 units of material costing \$9,000 was input in a period. Conversion costs for this period were \$11,970 and losses, which have a scrap value of \$1.50, are expected at a rate of 10% of input. There were no opening or closing inventories and output for the period was 2,900 units.

What was the output valuation?

- A. \$ 20,271
- B. \$ 20,520
- C. \$ 20,970
- D. \$ 22,040

(2 marks)

**Question 34:**

Which of the following would be data rather than information?

- A. Sales increase/decrease per product in last quarter.
- B. Total sales value per product.
- C. Sales made per salesman as a percentage of total sales.
- D. Sales staff commission as a percentage of total sales.

(2 marks)

**Question 35:**

For a particular component, the re-order quantity is 6,000 units and the average inventory holding is 3,400 units.

What is the level of safety inventory (in whole units)?

- A. 400
- B. 3,400
- C. 3,000
- D. 6,400

(2 marks)

(Total 70 marks)

**Section B**

**(10 questions each question contains 3 marks)**

**Question 36:**

An organisation is preparing its quarterly budget. It has consistently maintained stock levels at 10% of the following month's sales. Budgeted sales for January are 2,000 units and sales are expected to increase by 500 units per month for the following three months.

What is the budgeted production in units for February?

- A. 2,050
- B. 2,450
- C. 2,500
- D. 2,550

(3 marks)

**Question 37:**

An extract from next year's budget for a manufacturing company is shown below:

	<b>Month 1</b>	<b>Month 2</b>
Sales	100,000 units	120,000 units
Closing stock of finished goods	6,000 units	8,000 units
Closing stock of raw materials	22,000 kg	12,000 kg

What is the budgeted material usage for month 2?

- A. 230,000 kg
- B. 234,000 kg
- C. 240,000 kg
- D. 244,000 kg

(3 marks)

**Question 38:**

A company manufactures a single product; M. budgeted production output of product M during August is 200 units. Each unit of product M requires 6 labour hours for completion and PR co. anticipates 20 percent idle time. Labour is paid at a rate of \$7 per hour.

What is the direct labour cost budget for August?

- A. \$ 6,720
- B. \$ 8,400
- C. \$ 10,080
- D. \$ 10,500

(3 marks)

**Question 39:**

An extract from a company's sales budget is as follows:

	\$
October	224,000
November	390,000
December	402,000

10% of sales are paid for immediately in cash, of the customers, 30% pay in the month following the sales and are entitled to a 1% discount. The remaining customers pay two months after the sales are made.

What is the value of sales receipts shown in the company's cash budget for December?

- A. \$ 285,567
- B. \$ 286,620
- C. \$ 290,430
- D. \$ 312,830

(3 marks)

**Question 40:**

The following details have been extracted from the payables records of X co.:

Invoice paid in the month of purchase	25%
Invoice paid in the first month after purchase	70%
Invoice paid in the second month after purchase	5%

Purchases for July to September are budgeted as follows:

July	\$ 250,000
August	\$ 300,000
September	\$ 280,000

For suppliers paid in the month of purchase, a settlement discount of 5% is received.

What is the amount budgeted to be paid to suppliers in September?

- A. \$ 278,500
- B. \$ 280,000
- C. \$ 289,000
- D. \$ 292,500

(3 marks)

**Question 41:**

A company's budgeted fixed overhead for the last quarter of the financial year was \$280,400 for 7,000 units of output. It actually spent \$284,400 manufacturing 7,200 units.

What was the fixed overhead volume variance?

- A. \$ 4,400      Adverse
- B. \$ 7,900      Favorable
- C. \$ 8,000      Favorable
- D. \$ 8,000      Adverse

(3 marks)

**Question 42:**

A company expected to produce 200 units of its product, the Bone, in 2017. In fact 260 units were produced. The standard labour cost per unit was \$70 (10 hours at a rate of \$7 per hour). The actual labour cost was \$18,600 and the labour force worked 2,200 hours although they were paid for 2,300 hours.

What is the direct labour rate and direct labour efficiency variances for the company in 2017?

	<b>\$ Direct labour rate variance</b>		<b>\$ Direct labour efficiency variance</b>	
A.	\$400	(A)	\$400	(A)
B.	\$2,500	(F)	\$2,100	(F)
C.	\$2,500	(A)	\$2,800	(F)
D.	\$3,200	(A)	\$2,800	(A)

(3 marks)

**Question 43:**

The costs below relate to the month of June.

	<b>Fixed budget</b> 2,200 units \$	<b>Flexed budget</b> 2,000 units \$	<b>Actual</b> 2,000 units \$
Total direct material	165,000	150,000	140,000

What was the total direct material variance?

- A. \$10,000 Adverse
- B. \$10,000 Favourable
- C. \$25,000 Adverse
- D. \$25,000 Favourable

(3 marks)

**Question 44:**

The following data relates to one of a company's products:

	<b>\$ Per unit</b>	<b>\$ per unit</b>
Selling price		27.00
Variable costs	12.00	
Fixed costs	<u>9.00</u>	
Profit		<u>6.00</u>

Budgeted sales for control period 7 were 2400 units, but actual sales were 2,550 units. The revenue earned from these sales was \$67,320.

Profit reconciliation statements are drawn up using marginal costing principles.

What sales variance would be include in such a statement for period 7?

	<b>Price</b>	<b>Volume</b>
A.	\$ 1,530 (A)	\$ 900 (F)
B.	\$ 1,530 (A)	\$ 2,250 (F)
C.	\$ 1,530 (A)	\$ 2,250 (A)
D.	\$ 1,530 (F)	\$ 2,250 (F)

(3 marks)

**Question 45:**

A company purchased 6,850 kgs of material at a total cost of \$21,920. The material price variance was \$1,370 favourable.

What was the standard price per kg?

- A. \$ 0.20
- B. \$ 3.40
- C. \$ 3.20
- D. \$ 3.00

(3 marks)  
(Total 30 marks)

**Answer F2**  
**First Section**  
**December 2018**

E.	B
F.	B
G.	A
H.	A
I.	B
J.	C
K.	B
L.	A
M.	D
N.	C
O.	C
P.	D
Q.	A
R.	C
S.	C
T.	D
U.	B
V.	B
W.	C
X.	C
Y.	A
Z.	D
AA.	B
BB.	A
CC.	B
DD.	A
EE.	D
FF.	A
GG.	D
HH.	A
II.	C
JJ.	B
KK.	D
LL.	B
MM.	A

**Second Section**

**E. D**  
**F. D**  
**G. D**  
**H. D**  
**I. C**  
**J. C**  
**K. C**  
**L. B**  
**M. B**  
**N. B**