

**Skills - Module**

**Performance  
Management**

Time allowed: 15 minutes for reading and planning  
3 hours for writing

December 14 – 2025

Do not open this paper until instructed by the  
supervisor.

This question paper must not be removed from the

*The Accountancy & Audit Profession*  
*Org. Council - Sudan*

**AAPOC**

**F5  
Paper**

## Paper F5- Performance Management

All questions are compulsory

### Section (A)

This section consists of 25 questions. All questions are compulsory and must be attempted and every question bears 2 marks. Total available marks for this section are (50 marks)

1) The following are types of environmental prevention costs:

- (i) Monitoring, testing and inspection costs.
- (ii) Site decontamination.

Which of the above statements is/are true?

- A. (i) only
  - B. (ii) only
  - C. Both (i) and (ii)
  - D. Neither (i) nor (ii)
- 2) ABC Limited has had a mixed year. Its market share has improved two percentage points to 20% but the overall market had contracted by 5% in the same period. The budgeted sales were 504,000 units and standard contribution was \$12 per unit.

The sales market share variance is:

- A. \$638,400 Adv
  - B. \$638,400 Fav
  - C. \$336,000 Adv
  - D. \$336,000 Fav
- 3) The ABC Company manufactures two products, Product Alpha and Product Beta. Both are produced in a very labour-intensive environment and use similar processes. Alpha and Beta differ by volume. Beta is a high-volume product, while Alpha is a low-volume product. Details of product inputs, outputs and the costs of activities are as follows:

|       | Direct labor<br>hours/unit | Annual output<br>(units) | Number of<br>purchase orders | Number of set-<br>ups |
|-------|----------------------------|--------------------------|------------------------------|-----------------------|
| Alpha | 5                          | 1,200                    | 75                           | 40                    |
| Beta  | 5                          | 1,200                    | <u>85</u>                    | <u>60</u>             |
|       |                            |                          | <u>160</u>                   | <u>100</u>            |

Fixed overhead costs amount to a total of \$420,000 and have been analyzed as follows:

|                    |         |
|--------------------|---------|
|                    | \$      |
| Volume-related     | 100,000 |
| Purchasing related | 145,000 |
| Set-up related     | 175,000 |

Using a traditional method of overhead absorption based on labour hours, what is the overhead cost per unit for each unit of product Alpha?

- A. \$6.36
  - B. \$22.75
  - C. \$31.82
  - D. \$122.55
- 4) The selling price of product soap is set to be \$250 for each unit and sales for the coming year are expected to be 500 units. If the company requires a return of 15% in the coming year on its investment of \$250,000 in product soap, the target cost for each unit for the coming year is
- A. \$145
  - B. \$155
  - C. \$165
  - D. \$175
- 5) In order to utilise some spare capacity, mtc is preparing a quotation for a special order which requires 2,000 kgs of material X.
- mtc has 800 kgs of material X in inventory (original cost \$7.00 per kg). Material X is used in the company's main product L. Each unit of L uses 5 kgs of material X and, based on an input value of \$7.00 per kg of X, each unit of L yields a contribution of \$10.00.
- The resale value of material X is \$5.50 per kg. The present replacement price of material X is \$8.00 per kg. Material X is readily available in the market.
- What is the relevant cost of the 2,000 kgs of material X to be included in the quotation?
- A. \$11,000
  - B. \$14,000
  - C. \$16,000
  - D. \$18,000
- 6) Which of the following statements is true of pricing?

- A. Discrimination is always illegal so everyone should pay the same amount
- B. Early adopters get a discount for being first in the market
- C. Pricing against a similar competitor is important in the Internet age
- D. Price to make the most sales in that way you will always get the most profit

**7) An incremental budgeting system is:**

- A. a system which budgets only for the extra costs associated with a particular plan
- B. a system which budgets for the variable manufacturing costs only
- C. a system which prepares budgets only after the manager responsible has justified the continuation of the relevant activity
- D. a system which prepares budgets by adjusting the previous year's values by expected changes in volumes of activity and price/inflation effects

**8) The management accountant of a business has identified the following information:**

|                       |                  |                    |
|-----------------------|------------------|--------------------|
| <b>Activity level</b> | <b>800 units</b> | <b>1,200 units</b> |
| <b>Total cost</b>     | <b>\$16,400</b>  | <b>\$23,600</b>    |

**The fixed costs of the business step up by 40% at 900 units**

**What is the variable cost per unit?**

- A. \$8.00
- B. \$18.00
- C. \$19.67
- D. \$20.00

**9) Which of the following describe difficulties in assessing performance in not-for-profit organizations?**

- (i) Benefits and costs are not always easy to quantify.
  - (ii) These organizations often have multiple stakeholders and therefore multiple objectives.
  - (iii) These organizations often have unlimited funds and are therefore not motivated to measure performance.
- A. (i) only
  - B. (i) and (ii)
  - C. (ii) only
  - D. (ii) and (iii)

**10) Stakeholders will have different objectives and companies may deal with this by having a range of performance measures to assess the achievement of these objectives.**

**Which of the following statements is true in relation to stakeholders?**

- A. The aim of all performance measures should be to increase short term profit
- B. The only interest of the government is that companies pay their taxes
- C. Shareholders will be looking for increasing dividends and increased share price
- D. Only internal stakeholders need to be considered by companies

**11) TM plc makes components which it sells internally to its subsidiary RM Ltd, as well as to its own external market. The external market price is \$24.00 per unit, which yields a contribution of 40% of sales. For external sales, variable costs include \$1.50 per unit for distribution costs, which are not incurred on internal sales. TM plc has sufficient capacity to meet all of the internal and external sales. The objective is to maximize group profit.**

**At what unit price should the component be transferred to RM Ltd?**

- A. \$1.50
- B. \$12.90
- C. \$14.40
- D. \$24.00

**12) Smart is a division of Star and is an investment Centre. The head office controls finance, HR and IT expenditure but all other decisions are devolved to the local centres. The statement of financial position for Smart shows net value of all assets and liabilities to be \$4,500m at the start of the year and \$4,890m at the end. It carries no debt itself although the group has debt liabilities.**

**The management accounts for income read as follows:**

|                        | \$m   |
|------------------------|-------|
| Revenue                | 3,500 |
| Cost of sales          | 1,800 |
| Local administration   | 250   |
| IT costs               | 50    |
| Distribution           | 80    |
| Central administration | 30    |
| Interest charges       | 90    |
| Net profit             | 1,200 |

**Ignore taxation.**

**If the cost of capital is 12%, what is the division's residual income?**

- A. \$660
- B. \$830
- C. \$1,110
- D. \$1,280

13) Nile Co has two divisions, A and B. Each division is currently considering the following separate projects:

|  | Division A     | Division B     |
|--|----------------|----------------|
| Capital required for the project         | \$32.6 million | \$22.2 million |
| Sales generated by the project           | \$14.4 million | \$8.8 million  |
| Operating profit margin                  | 30%            | 24%            |
| Cost of capital                          | 10%            | 10%            |
| Current return on investment of division | 15%            | 9%             |

If residual income is used as the basis for the investment decision, which division(s) would choose to invest in the project?

- A. Division A only
- B. Division B only
- C. Both Division A and Division B
- D. Neither Division A neither Division B

14) The following statements have been made about material price planning variances:

- (1) The publication of material price planning variances should always lead to automatic updates of standard costs.
- (2) The causes of material price planning variances do not need to be investigated by managers at any level in the organization.

Which of the above statement(s) is/are true?

- A. (1) only
- B. (2) only
- C. Neither (1) nor (2)
- D. Both (1) and (2)

15) Yellow sells two types of foot ball, the type A and the type B. The standard contribution from these balls is \$4 and \$5 respectively and the standard profit per ball is \$1.50 and \$2.40 respectively. The

budget was to sell 5 type A balls for every 3 type B balls. Actual sales were up 20,000 at 240,000 balls with type A balls being 200,000 of that total. Yellow values its stock of balls at standard marginal cost.

**What is the value of the sales mix variance?**

- A. \$45,000 Fav
- B. \$45,000 Adv
- C. \$50,000 Fav
- D. \$50,000 Adv

**16) Moon Co produces a product which has a variable cost of \$28 and a selling price of \$39. Budgeted sales and production volumes for the next month are 18,000 units. Budgeted fixed costs are \$121,000 per month. If Moon wishes to generate a profit of \$11,000, how many units must be sold?**

- A. 1,000
- B. 10,000
- C. 11,000
- D. 12,000

**17) Tree Co is considering employing a sales manager. Market research has shown that a good sales manager can increase profit by 30%, an average one by 20% and a poor one by 10%. Experience has shown that the company has attracted a good sales manager 35% of the time, an average one 45% of the time and a poor one 20% of the time. The company's normal profits are \$180,000 per annum and the sales manager's salary would be \$40,000 per annum. Based on the expected value criterion, which of the following represents the correct advice which Tree Co should be given?**

- A. Do not employ a sales manager as profits would be expected to fall by \$1,300
- B. Employ a sales manager as profits will increase by \$38,700
- C. Employ a sales manager as profits are expected to increase by \$100
- D. Do not employ a sales manager as profits are expected to fall by \$39,900

**18) The following statements have been made about zero based budgeting:**

- (1) Employees will focus on eliminating wasteful expenditure**

**(2) Short-term benefits could be emphasized over long-term benefits**

**Which of the above statements is/are true?**

- A. 1 only
- B. 2 only
- C. Neither 1 nor 2
- D. Both 1 and 2

**19) You have just timed a person doing a job a few times. The first time it took the person 25 minutes, the second time it took 20 minutes and the third time it took 17.55 minutes.**

**What is the learning rate?**

- A. 10%
- B. 20%
- C. 80%
- D. 90%

**20) The following statements have been made about the materials mix variance for a company manufacturing different products using the same type of material (measured in kgs):**

- (i) The mix variance can be calculated by taking the difference between the actual quantity in the standard mix and the actual quantity in the actual mix, then multiplying it by the actual cost per kg**
- (ii) The mix variance arises because there is a difference between what the input should have been for the output achieved and the actual output.**

**Which of the above statements is/are correct?**

- A. Neither (i) nor (ii)
- B. Both (i) and (ii)
- C. (i) only
- D. (ii) only

**21) At the start of the year, a division has non-current assets of \$4 million and makes no additions or disposals during the year. Depreciation is charged at a rate of 10% per annum on all non-current assets held at the end of the year. Working capital is \$0.5 million at the start of the year although**



this is expected to increase by 20% by the end of the year. The budgeted profit of the division after depreciation is \$1.2m. What is the expected ROI of the division for the year, based on average capital employed?

- A. 27.59%
- B. 26.37%
- C. 18.39%
- D. 31.58%

22) The qualities of good information contained in reports are more easily remembered using the mnemonic ACCURATE. Which one of the following is not normally associated with a quality of good information?

- A. Adaptable to the needs of the user
- B. Acceptable to the user
- C. Accurate
- D. Understandable by the user.

23) Which of the following statements about transfer pricing is correct?

- A. Head office managers should never be involved in transfer pricing decisions
- B. The market price will always be the most appropriate transfer price
- C. The transfer price will not affect divisional profits
- D. The transfer price should promote goal congruence

24) A hospital management team assess performance using value for money. The following performance measures are reported by surgical departments:

- (1) The number of patients who need to be re-admitted following surgery
- (2) The staff cost of each surgical procedure

Which element of value for money is assessed by each measure?

- | (1)              | (2)           |
|------------------|---------------|
| A. Economy       | Efficiency    |
| B. Efficiency    | Effectiveness |
| C. Effectiveness | Efficiency    |
| D. Effectiveness | Economy       |

25) The following statements have been made about Activity Based Costing (ABC):

- (1) Introducing ABC will always reduce costs in the short term;

(2) If the cost of a product or service using both ABC and absorption costing is the same, there will be no benefit to be gained from adopting ABC.

Which of the statements is/are correct?

- A. 1 only
- B. 2 only
- C. Neither 1 nor 2
- D. Both 1 and 2

## Section (B)

### Question One:

Law Services Inc. provides a variety of legal services to its clients. The firm's attorneys each have the authority to negotiate billing rates with their clients. Law Services wants to manage its operations more effectively, and established a budget at the beginning of last year. The budget included total hours billed, amount billed per hour, and variable expense per hour. Unfortunately, the firm failed to meet its budgeted goals for last year. The results are shown below.

|                    | Actual | Budget |
|--------------------|--------|--------|
| Total hours billed | 5,700  | 6,000  |
| Amount billed/hour | \$275  | \$325  |

The budgeted variable expense per hour is \$50, and the actual total variable expense was \$285,000. There is disagreement among the attorneys over the reasons that the firm failed to meet its budgeted goals.

1. What is the advantage of using a flexible budget to evaluate Law Services' results for last year as opposed to a static budget? Explain your answer. **(2 marks)**
2. Explain the process of creating a flexible budget for Law Services. **(2 marks)**
3. Calculate the total static budget revenue variance, the flexible budget revenue variance, and the sales volume revenue variance. Show your calculations. **(10 marks)**
4. a. Calculate the variable expense variance. Show your calculations. **(5 marks)**
5. b. Was the variable expense variance a flexible budget variance or a sales volume variance? Explain your answer **(6 marks)**

**(Total Marks 25 Marks)**

**Question Tow:**

Rosewood Designs produces customized textiles, such as dresses, formal attire, and uniforms. Rosewood is a small sole proprietorship owned and managed by Samuel Wood. Rosewood uses a job order costing system. During July, Rosewood completed Job 431, an order for 2,000 school uniforms. Based on the success of this large order, Wood is contemplating a drastic change in business strategy. Wood is considering mass producing school uniforms and gradually phasing out custom orders. Relevant financial information is shown below.

- Job 431 had a beginning work-in-process inventory balance of \$33,000 on July 1.
- During July, \$3,000 of direct material was added to the job. Job 431 required a total of 3,500 direct labor hours, with 1,000 of those hours taking place in July.
- The average labor rate for production workers is \$7 per hour.
- Rosewood completed Job 431 on July 25.
- Rosewood's predetermined manufacturing overhead rate is \$3 per direct labor hour.
- After completing Job 431, management analyzed the direct labor hours. Rosewood normally experiences an 80% learning curve, and management expects that the learning curve will level off after producing 8,000 uniforms

1. Define and explain the job costing system Rosewood currently uses. **(2 marks)**
2. Identify what costing system would be most suitable if Rosewood begins mass producing school uniforms. Explain your answer. **(3 marks)**
3. For Job 431, calculate the cost per unit by using full absorption costing. Show your calculations. **(7 marks)**
4. Identify and explain the major difference between full absorption costing and direct costing. **(3 marks)**
5. Define and explain the concept of the learning curve. **(2 marks)**
6. After completing 8,000 uniforms, what is the estimated direct labor cost per uniform? Show your calculation **(8 marks)**

**(Total 25 Marks)**

**(Total Mark 100 Marks)**