

**Answer all questions**

**Section A**

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

**Question 1:**

Which of the following are characteristics of service costing?

- i. High levels of direct labours costs as a proportion of total cost.
  - ii. Use of composite cost units.
  - iii. Use of equivalent units.
- 1) (i) Only
  - 2) (i) and (ii) Only
  - 3) (ii) Only
  - 4) (ii) and (iii) Only

(2 marks)

**Question 2:**

The manager of a division is responsible for costs and revenues as well as capital invested.

Which is the appropriate classification for the division?

- A. Revenue center.
- B. Investment center.
- C. Profit center.
- D. Cost center.

(2 marks)

**Question 3:**

Over which of the following is the manager of a profit center likely to have control?

- i. Selling prices.
  - ii. Controllable costs.
  - iii. Apportioned head office costs.
  - iv. Capital investment in the center.
- 1) All of the above.
  - 2) (i),(ii) and (iii)
  - 3) (i),(ii) and (iv)
  - 4) (i) and (ii)

(2 marks)

**Question 4:**

The following assertions relate to management accounting:

- i. The purpose of management accounting is to provide accounting information to the managers of the business and other internal users.
- ii. Management accounting is only concerned with the cost of goods, services and operations.

Which of the following statements are true?

- A. Assertion (i) and (ii) are both correct.
- B. Only assertion (i) is correct.
- C. Only assertion (ii) is correct
- D. Assertion (i) and (ii) are both incorrect.

(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:**

The total cost of production for two levels of activity is as follows:

	Level1	Level2
Production (units)	3,000	5,000
Total cost (\$)	6,750	9,250

The variable production cost per unit and the total fixed production cost both remain constant in the range of activity shown.

What is the level of fixed costs?

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

(2 marks)

**Question 7:**

Which of the following are characteristics of job costing?

- i. Homogenous products.
  - ii. Customer – driven production.
  - iii. Production can be completed within a single accounting period.
- A. (i) Only
  - B. (i) and (ii) Only
  - C. (ii) and (iii) Only
  - D. (i) and (iii) Only

(2 marks)

**Question 8:**

A business has experienced the following labour costs:

Output (Units)	Cost (\$)
7,000	86,000
12,000	141,000
9,000	97,500

Fixed cost increase by \$15,000 for output in excess of 10,000 units.

Using high low method what is the estimated cost of producing 14,000 units?

- A. 142,000
- B. 157,000
- C. 163,000
- D. 178,000

(2 marks)

**Question 9:**

A manufacturing firm is very busy and overtime is being worked.

How would the amount of over time premium contained in direct wages normally be classed?

- A. Part of prime cost.
- B. Factory overheads.
- C. Direct labour cost.
- D. Administrative overheads.

(2 marks)

**Question 10:**

Which of the following functions are fulfilled by a goods received note (GRN)?

- i. Provide information to update the inventory records on receipt of goods.
- ii. Provides information to check the quantity on the supplier's invoice.
- iii. Provides information to check the price on the supplier's invoice.

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

(2 marks)

**Question 11:**

The annual demand for an item of inventory is 2,500 units. The cost of placing an order is \$80 and the cost of holding an item in stock for one year is \$15.

What is the economic order quantity, to the nearest unit?

- A. 31 units
- B. 115 units
- C. 163 units
- D. 26,667 units

(2 marks)

**Question 12:**

A company had 4,000 staff at the start of 2017 and at the end this had reduced to 3,800 due to redundancies being made. 210 staff took voluntary redundancy which was 10 more than the company had anticipated and these 10 employees were replaced.

What is the labour turnover rate per year?

- A. 0.26 %
- B. 5.38 %
- C. 25.64%
- D. 5.13 %

**Question 13:**

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)

**Question 14:**

Regression analysis has been used to find the line of best fit for two variables, X and Y and the correlation coefficient has then been calculated to assess the reliability of the line as a forecasting tool.

What is the value of the correlation coefficient for the line that will provide the most reliable forecast?

- A. - 0.9
- B. 0
- C. + 0.2
- D. + 0.3

(2 marks)

**Question 15:**

The following represent the materials transactions for a company for a year:

	\$000
Materials purchases	240
Issued to production	215
Materials written off	12
Returned to stores	6
Returned to suppliers	2

The materials stock at 31 December 2015 was \$42,000. What was the opening balance on the materials inventory account at 1 January 2015?

- A. \$1,000
- B. \$25,000
- C. \$33,000
- D. \$59,000

(2 marks)

**Question 16:**

Which of the following is correct with regard to inventories?

- i. Stock-out arise when too little inventory is held.
  - ii. Safety inventories are the level of units maintained in case there is unexpected demand.
  - iii. A re-order level can be established by looking at the maximum usage and the maximum lead-time.
- A. (i) and (ii) Only
  - B. (i) and (iii) Only
  - C. (ii) and (iii) Only
  - D. (i) , (ii) and (iii)

(2 marks)

**Question 17:**

Which of the following could be used to document the transfer of materials from one production department to another?

- A. Materials requisition note.
- B. Materials returned note.
- C. Materials transfer note.
- D. None of the above.

(2 marks)

**Question 18:**

A company budgets to make 40,000 units of product Doy in 4,000 hours (each unit is budgeted to take 0.1 hour each) in a year.

Actual output during the year was 38,000 units which took 4,180 hours to make.

What is the labour efficiency ratio?

- A. 91%
- B. 95%
- C. 97%
- D. 104.5%

(2 marks)

**Question 19:**

Over-absorbed overhead occur when:

- A. Absorbed overheads exceed actual overheads.
- B. Absorbed overheads exceed actual budgeted overheads.
- C. Actual overheads exceed absorbed overheads.
- D. Actual overheads exceed absorbed budgeted overheads.

(2 marks)

**Question 20:**

A company manufactures two products E and F, in a factory divided into two production cost centres, primary and finishing. In order to determine a budgeted fixed overheads cost per unit of product, the following budgeted data are relevant.

	Primary	Finishing
Allocated and apportioned fixed costs	\$84,000	\$93,000
Direct labour-minutes per unit:		
E	36	25
F	30	40

budgeted production is 9,000 units of E and 6,000 units of F. fixed overheads are to be absorbed on a direct labour hour basis.

What is the budgeted fixed overhead cost of a unit of product E?

- A. \$ 10
- B. \$ 11
- C. \$ 12
- D. \$ 13

(2 marks)

**Question 21:**

Which of the following is not a functional budget?

- A. Production budget.
- B. Distribution cost budget.
- C. Selling cost budget.
- D. Cash budget.

(2 marks)

**Question 22:**

A company uses an overhead absorption rate of \$3.50 per machine hour, based on 32,000 budgeted machine hours for the period. During the same period the actual total overhead expenditure amounted to \$108,875 and 30,000 machine hours were recorded on actual production.

By how much was the total overhead under or over absorbed for the period?

- A. Under absorbed by \$ 3,875
- B. Under absorbed by \$ 7,000
- C. Over absorbed by \$ 3,875
- D. Over absorbed by \$ 7,000

(2 marks)

**Question 23:**

Annual fixed costs are expected to be \$120,000. The company's product sells for \$20 per unit with variable costs of \$12 per unit.

What is the break-even point?

- A. 5,000 units
- B. 10,000 units
- C. 15,000 units
- D. 20,000 units

(2 marks)

**Question 24:**

The management accountant of a company has calculated his firm's break-even point from the following data:

Selling price per unit	\$20
Variable cost per unit	\$8
Fixed overheads for next year	\$79,104

It is expected that next year the firm will produce and sell 7,500 units.

What is the margin of safety?

- A. 12.1%
- B. 13.8%
- C. 47.3%
- D. 89.6%

(2 marks)

**Question 25:**

A contract is under consideration that will require 250 machine hours. The variable overhead rate is \$6 per machine hour and the company traditionally absorbs fixed overhead at 50% of the variable overhead rate. IF the contract is accepted, \$800 of other indirect costs specific to the project will be incurred.

What is the relevant cost of overheads for the project?

- A. \$ 800
- B. \$ 1,550
- C. \$ 2,300
- D. \$ 3,050

(2 marks)

**Question 26:**

Which of the following costs is irrelevant for decision making?

- A. Avoidable fixed overheads.
- B. Committed costs.
- C. Cash flow costs.
- D. Future costs.

(2 marks)

**Question 27:**

Which of the following would not be an appropriate situation for the use of service costing?

- A. Power supply industry
- B. Oil refinery
- C. Restaurant in a factory
- D. Haulage business

(2 marks)

**Question 28:**

Absorption costing is concerned with which of the following?

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

(2 marks)

**Question 29:**

A company which uses marginal costing has a profit of \$37,500 for a period. Opening inventory was 100 units and closing inventory was 350 units.

The fixed production overhead absorption rate is \$4 per unit.

What is the profit under absorption costing?

- A. \$35,700
- B. \$35,500
- C. \$38,500
- D. \$37,300

(2 marks)

**Question 30:**

The following information is available for a hotel company for the latest thirty day period.

Number of rooms available per night	40
Percentage occupancy achieved	65%
Room servicing cost incurred	\$3,900

What was the room servicing cost per occupied room-night last period, to the nearest cent?

- A. \$ 3.25
- B. \$ 5.00
- C. \$ 97.50
- D. \$ 150.00

(2 marks)

**Question 31:**

The following data relates to 200kg of material ZX in inventory and needed immediately for a contract.

Standard cost	\$3,220
Replacement cost	\$3,080
Realisable value	\$2,800

Within the firm the 200kg of material ZX can be converted into 200kg of material RP at a cost of \$140. Material RP has many uses in the firm and 200kg costs \$3.080.

What cost should be included ZX when assessing the viability of the contract?

- A. \$3,220
- B. \$3,080
- C. \$2,940
- D. \$2,800

(2 marks)



**Question 32:**

4000 kg of material are input to a chemical process. Normal losses are expected to be 10% of input and because of their toxic nature will incur a disposal of \$ 2 per kg.

The process cost \$11,800 and actual output was 3550 kg.

What is the total cost of the abnormal loss (to the nearest \$)?

- A. \$ 53
- B. \$ 153
- C. \$ 175
- D. \$ 275

(2 marks)

**Question 33:**

The following items may be used in costing batches.

1. Actual material cost.
2. Actual manufacturing overheads.
3. Absorbed manufacturing overheads.
4. Actual labour cost.

Which of the above are contained in a typical batch cost?

- A. 1,2 and 4 only
- B. 1 and 4 only
- C. 1,3 and 4 only
- D. 1,2,3 and 4

(2 marks)

**Question 34:**

The following information relates to a company's polishing process for the previous period.

Output to finished goods	5,408 units valued at \$29,744
Normal loss	276 units
Actual loss	112 units

All losses have a scrap value of \$2.50 per unit and there was no opening or closing work in progress.

What was the value of the input during the period?

- A. \$28,842
- B. \$29,532
- C. \$29,744
- D. \$30,434

(2 marks)

**Question 35:**

Which of the following statement about process losses are correct?

- i. Units of normal loss should be valued at full cost per unit.
- ii. Units of abnormal loss should be valued at their scrap value.

- A.** (i) only
- B.** (ii) only
- C.** Both of them
- D.** Neither of them

(2 marks)  
(Total 70 marks)

## Section B

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

### **Question 36:**

The management accountant is preparing the master budget for the retail firm. The following information has been supplied.

Sales	\$300,000
Opening stock	\$ 40,000
Closing stock	\$ 60,000
Mark-up	25%

What amount should be budget for purchases?

- A. \$ 220,000
- B. \$ 225,000
- C. \$ 240,000
- D. \$ 260,000

(3 marks)

### **Question 37:**

The following information has been supplied in connection with an organisation's labour and overhead budget:

	<b>Product Alpha</b>	<b>Product Beta</b>
	<b>Cost per unit</b>	<b>cost per unit</b>
	<b>\$</b>	<b>\$</b>
Unskilled labour (@ \$5/hr.)	15	10
Skilled labour (@ \$8/hr.)	<u>16</u>	<u>24</u>
Labour cost	<u>31</u>	<u>34</u>
Budgeted production	8,000 units	12,000 units

What is the total amount of skilled labour hours required in the period?

- A. 40,000 hours
- B. 48,000 hours
- C. 52,000 hours
- D. 60,000 hours

(3 marks)

### **Question 38:**

A company plans to sell 24,000 units of product R next year. Opening inventory of R is expected to be 2,000 units and PQ plans to increase inventory by 25 percent by the end of the year.

How many units of product R should be produced next year?

- A. 23,500 units
- B. 24,000 units
- C. 24,500 units
- D. 30,000 units

(3 marks)

**Question 39:**

Extracts from a company budget are as follows:

	August	September
Production units	12,600	5,500
Fixed production overhead incurred	\$9,440	\$7,000

The standard variable production overhead cost per unit is \$5. Variable production overhead is paid 70 percent in the month incurred and 30 percent in the following month. Fixed production overhead cost is paid in the month following that in which it is incurred and includes depreciation of \$2,280 per month.

What is the cash budget for September?

- A. \$ 32,220
- B. \$ 42,870
- C. \$ 45,310
- D. \$ 47,590

(3 marks)

**Question 40:**

X department is a division of W p/c. X department usually has a quarterly wages cost of \$ 4,500,000. Quarterly material costs are usually around \$2,000,000. W p/c made a central decision to award all employees a wages increase of 2%.

Which of the following variances for the latest quarter are worth investigating?

1. Direct material price variance \$400 (A).
  2. Labour rate variance \$90,000 (A).
  3. Sales volume variance \$4,000,000 (F).
- A. 1 and 3 only
  - B. 1 and 2 only
  - C. 1,2 and 3
  - D. 3 only

(3 marks)

**Question 41:**

A company standard labour rate for its factory workers is \$5 per hour. The standard time allowed for producing one unit is 20 minutes. During the period 4,800 units were produced and the factory workers were paid \$5.25 per hour. The actual hours worked were 1,560.

What was the total labour cost variance?

- A. \$ 390      adverse
- B. \$ 190      adverse
- C. \$ 190      favourable
- D. \$ 390      favourable

(3 marks)

**Question 42:**

A company uses variance analysis to control costs and revenues.

Information concerning sales is as follows:

Budgeted selling price	\$15 per unit
Budgeted sales units	10,000 units
Budgeted profit per unit	\$5 per unit
Actual sales revenue	\$151,500
Actual units sold	9,800 units

What was the sales volume profit variance?

- A. \$ 500            favourable
- B. \$ 1,000        favourable
- C. \$ 1,000        adverse
- D. \$ 3,000        adverse

(3 marks)

**Question 43:**

A company uses a standard absorption costing system. Last month budgeted production was 8,000 units and the standard fixed production overhead cost was \$15 per unit. Actual production last month was 8,500 units and the actual fixed production overhead cost was \$17 per unit.

What was the total adverse fixed production overhead variance for last month?

- A. \$ 7,500
- B. \$ 16,000
- C. \$ 17,000
- D. \$ 24,500

(3 marks)

**Question 44:**

A company manufactures a single product L, for which the standard material cost is as follows:

	\$ Per unit
Material 14 kg X \$3	42

During July, 800 units were manufactured, 12,000 kg of material were purchased for \$ 33,600, of which 11,500 kg were issued to production.

Om Co values all inventory at standard cost.

What are the material price and usage variance for July?

	Price		Usage	
A.	2,300	F	900	A
B.	2,300	F	300	A
C.	2,400	F	900	A
D.	2,400	F	840	A

(3 marks)

**Question 45:**

A company has budgeted to make and sell 4,200 units of product X during the period.

The standard fixed overhead cost per unit is \$4.

During the period covered by the budget, the actual results were as follows:

Production and sales	5,000 units
Fixed overhead incurred	\$17,500

What are the fixed overhead variances for the period?

	<b>Fixed overhead Expenditure variance</b>		<b>Fixed overhead Volume variance</b>	
<b>A.</b>	700	F	3,200	F
<b>B.</b>	700	F	3,200	A
<b>C.</b>	700	A	3,200	F
<b>D.</b>	700	A	3,200	A

(3 marks)

(Total 30 marks)

**Answer F2**  
**First Section**  
**June 2018**

- 5) **B**
- 6) **B**
- 7) **D**
- 8) **B**
- 9) **B**
- 10) **C**
- 11) **C**
- 12) **B**
- 13) **B**
- 14) **A**
- 15) **C**
- 16) **A**
- 17) **A**
- 18) **A**
- 19) **B**
- 20) **D**
- 21) **C**
- 22) **A**
- 23) **A**
- 24) **B**
- 25) **D**
- 26) **A**
- 27) **C**
- 28) **A**
- 29) **C**
- 30) **B**
- 31) **B**
- 32) **D**
- 33) **C**
- 34) **B**
- 35) **C**
- 36) **D**
- 37) **C**
- 38) **B**
- 39) **D**

## Second Section

- 5) **D**
- 6) **C**
- 7) **C**
- 8) **C**
- 9) **D**
- 10) **B**
- 11) **C**
- 12) **C**
- 13) **C**
- 14) **C**