

Answer all questions

Section A

(35 questions each question contain 2 marks)

Question 1:

Which of the following steps does not form part of the planning process?

- A. Set objectives for achievement.
- B. Identify ways in which objectives can be achieved
- C. Take corrective action to improve chances of achieving objectives.
- D. Non of the above.

Question 2:

Which of the following sentences is false?

- (1) Financial accounting information can be used for internal reporting purposes.
- (2) Routine information can be used to make decisions regarding both the long term and the short term.
- (3) Cost accounting can only be used to provide inventory valuation for internal purposes.
- (4) Management accounting provides information relevant to decision making, planning, control and evolution of performances.

Question 3:

A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:

- A. A part of prime cost.
- B. A direct production expense.
- C. A production overhead.
- D. A selling and distribution overhead.

Question 4:

The cost and output of a business for the last quarter of the year were as follows:

	Output (Units)	Cost (\$)
Oct	1,800	8,850
Nov	2,000	8,750
Dec	800	3,950

Using the high low method which of the following represents the estimated cost in January of producing 1,500 units if the monthly fixed costs are expected to increase by \$100 at the start of next year?

- A. 6,750
- B. 6,850
- C. 7,380
- D. 7,480

Question 5:

Regression analysis produced the following results from the batch production costs for each of the past 5 months.

$$\Sigma X = 540, \Sigma Y = 755, \Sigma X^2 = 61,000, \Sigma XY = 83,920$$

Which of the following is the appropriate value for b in the regression line to 2 decimal places?

- A. - 1.40
- B. 0.01
- C. 0.89
- D. 1.40

Question 6:

Which of the following are direct expenses?

- i. The cost of special designs, drawing or layouts.
 - ii. The hire of tools or equipment for particular job.
 - iii. Salesman's wages.
 - iv. Rent, rates and insurance of factory.
- A. (i) and (ii)
 - B. (i) and (iii)
 - C. (i) and (iv)
 - D. (iii) and (iv)

Question 7:

A manufacturer uses 100,000 components costing \$1 each at a constant rate throughout the year. The cost of making a single order for more components is \$10 and the holding costs for each component are 0.5% of the average inventory value.

What is the EOQ?

- A. 1,411
- B. 14,142
- C. 20,000
- D. 24,400

Question 8:

What is the economic batch quantity used to establish?

- A. Reorder quantity.
- B. Reorder level.
- C. Order quantity.
- D. Inventory level for production.

Question 9:

For a particular component, the re-order quantity is 6,000 units and the average inventory adding 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

Question 10:

The following data relate to inventory item A 452:

Average usage	100 units per day
Minimum usage	60 units per day
Maximum usage	130 units per day
Lead time	20-26 days
EOQ	4,000 units

What is the maximum inventory level?

- A. 3,380 units
- B. 6,180 units
- C. 7,380 units
- D. 8,580 units

Question 11:

At 31 March 2018 an organization had 5,400 employees during the previous year 750 had left the organisation, although the management had decided that only 600 needed replacing and recruited according by.

What was the labour turnover rate for the year to 31 March 2018 (to 2 decimal places)?

- A. 10.96 %
- B. 11.11 %
- C. 11.27 %
- D. 13.89 %

Question 12:

Factory overheads can be absorbed by which of the following methods?

- i) Direct labour hours.
 - ii) Machine hours.
 - iii) As a percentage of prime cost.
 - iv) \$ x per unit.
- A. (i) , (ii) , (iii) and (iv)
 - B. (i) and (ii) only
 - C. (i) , (ii) and (iii) only
 - D. (ii) , (iii) and (iv) only

Question 13:

A company uses an overhead 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 uncounted 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

Question 14:

The following data relate to work in the finishing department of certain factory:

Normal working day	7 hours
Basic rate of pay per hour	\$5
Standard time allowed to produce 1 unit	4 minutes
Premium bonus payable at the basic rate	60% of time saved

On a particular day one employee finishes 180 units. What is the gross pay for the day to this employee?

- A. \$ 35
- B. \$ 50
- C. \$ 56
- D. \$ 60

Question 15:

Which of the following should be classified as indirect labour?

- A. The site foreman of a building company.
- B. Workers assembling components on a production line.
- C. The store man handling parts requisitions in a factory.
- D. Non of the above.

Question 16:

Which of the following is not stockholding cost?

- A. The opportunity cost of capital tied up.
- B. The cost of insurance.
- C. Shipping and handling costs.
- D. Stock obsolescence.

Question 17:

The number of units of finished goods inventory at the end of a period is greater than at the beginning.

What would the effect be of using the marginal costing method of inventory valuation?

- A. Less operating profit than the absorption costing method.
- B. The same operating profit as the absorption costing method.
- C. More operating profit than the absorption costing method.
- D. More or less operating profit than the absorption costing method depending on the ratio of fixed to variable costs.

Question 18:

Last month, when a company had an opening inventory of 16,500 units and closing inventory of 18,000 units, the profit using absorption costing was \$40,000. The fixed production overhead rate was \$10 per unit.

What would the profit for last month have been using marginal costing?

- A. \$ 15,000
- B. \$ 25,000
- C. \$ 55,000
- D. \$ 65,000

Question 19:

The following information relates to product Alpha.

Selling price per unit	\$100
Variable cost per unit	\$56
Fixed cost	\$220,000
Budgeted sales are	7,500 units

What is the breakeven point in terms of units sold?

- A. 5,000 units
- B. 7,500 units
- C. 10,000 units
- D. 12,500 units

Question 20:

ABC Ltd manufactures product L and which the following information relates:

Selling price per unit	\$20
Variable cost per unit	\$12
Fixed cost	\$100,000

Budgeted sales for the period are 16,000 units.

What is the margin of safety in terms of units, and as % of budgeted sales?

	Margin of safety in terms of units	Margin of safety as % of budgeted sales
A.	12,500 units	21.88%
B.	3,500 units	21.88%
C.	3,500 units	23.00%
D.	12,500 units	25.00%

Question 21:

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

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

Within the firm the 200 kg of material MB can be converted into 200 kg of material RP at a cost of \$140. Material RP has many uses in the firm and 200 kg costs \$3,080.

What cost should be included for material MB when assessing the viability of the contract?

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

Question 22:

Which of the following costs is relevant for decision making?

- A. Sunk costs.
- B. Committed costs.
- C. Avoidable costs.
- D. Net book values.

Question 23:

A company, which aims to maximise profits, manufactures two products, X and Y. Product information is as follows:

Per unit	product X	product Y
	\$	\$
Selling price	55	45
Material	10	20
Labour	15	10

Spending is limited to \$400,000 and \$ 300,000 on material and labour respectively. What is optimal mix of production (in thousands of units) for the next period?

	Product X	product Y
A.	0	20
B.	10	15
C.	20	0
D.	40	0

Question 24:

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

Question 25:

A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a mark-up. Job number Y 256 was sold for \$1,690 and incurred overheads of \$694.

What was the prime cost of the job?

- A. \$ 489
- B. \$ 606
- C. \$ 996
- D. \$ 1,300

Question 26:

In a particular process, the input was 2,000 units. There were no inventories at the beginning or end of the process. Normal loss is 5 percent of input.

In which of the following circumstances is there an abnormal gain?

- i) Actual output= 1,800 units
 - ii) Actual output= 1,950 units
 - iii) Actual output= 2,000 units
- A. (i) only
B. (ii) only
C. (i) and (ii) only
D. (ii) and (iii) only

Question 27:

Which of the following are characteristics of service costing?

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

Question 28:

A truck delivered sand to two customers in a week.

The following details are available:

Customer	weigh of goods Delivered (kilograms)	Distance covered (kilograms)
X	500	200
Y	<u>180</u>	<u>1,200</u>
	680	1,400

The truck cost \$3,060 to operate in the week. Each customer delivery was carried out separately, and the truck made no other deliveries in the week.

What is the cost per kilograms/kilometre of sand delivered in the week (to the nearest \$0.001)?

- A. \$ 0.003
- B. \$ 0.010
- C. \$ 2.186
- D. \$ 4.500

Question 29:

Which of the following costing methods is most likely to be used by a company involved in the manufacture of liquid soap?

- A. Batch costing.
- B. Service costing.
- C. Job costing.
- D. Process costing.

Question 30:

A chemical process has a normal wastage of 10% of input. In a period, 2,500 kgs of materials were input and there was an abnormal loss of 75 kgs.

What quantity of good production was achieved?

- A. 2,175 kgs
- B. 2,250 kgs
- C. 2,325 kgs
- D. 2,425 kgs

Question 31:

Which of the following is least suitable application of a spread sheet package?

- A. Budgeting and forecasting.
- B. Maintenance of customer records.
- C. Inventory valuation.
- D. Variance analysis.

Question 32:

Which of the following sentences about losses are correct?

- i) Units 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.

Question 33:

Two products (W and X) are created from a joint process both products can be sold immediately after split-off. There are no opening inventories or work in progress. The following information is available for last period.

Total joint production cost			\$776,160
Product	production units	sales units	selling price per unit
W	12,000	10,000	\$10
X	10,000	8,000	\$12

Using the sales value method of apportioning joint production cost, what was the value of the closing inventory of product X for last period?

- A. \$ 310,464
- B. \$ 388,080
- C. \$ 155,232
- D. \$ 77,616

Question 34:

Which of the following may be considered to be objectives of budgeting?

- (i) Coordination.
 - (ii) Communication.
 - (iii) Expansion.
 - (iv) Resource allocation.
- A. All of them.
 - B. (i) , (ii) and (iv).
 - C. (ii) , (iii) and (iv).
 - D. (ii) and (iv).

Question 35:

Which of the following would explain an adverse material usage variance?

- A. The volume of activity was more than originally expected.
- B. A higher quality of material than anticipated was used.
- C. There was a major spillage resulting in the loss of raw material.
- D. Non of the above.

Section B

(10 questions each question contains 3 marks)

Question 36:

Budgeted sales of X for December are 18,000 units. At the end of the production process for X, 10% of production units are scrapped as defective. Opening inventory of X for December are budgeted to be 15,000 units and closing inventory will be 11,400 units. All inventories of finished goods must have successfully passed the quality control check.

What is the production budget for X for December?

- A. 12,960 units
- B. 14,400 units
- C. 15,840 units
- D. 16,000 units

Question 37:

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

Question 38:

X department is a division of W plc. X department usually has a quarterly wages cost of \$4,500,000. Quarterly material costs are usually around \$2,000,000. W plc 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 (2) only
 - B. (1) and (3) only
 - C. (1),(2) and (3)
 - D. (3) only

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?

- (1) \$ 285,567
- (2) \$ 286,620
- (3) \$ 290,430
- (4) \$ 312,830

Question 40:

A company's standard variable overhead rate for manufacturing is \$7 per hour and the standard time allowed for production is 2.5 hours per unit. During the period 3,200 units were produced in 8,320 hours. The variable overhead expenditure variance was \$1,664 favourable.

What was the actual variable overhead rate per hour?

- A. \$ 6.53
- B. \$ 6.80
- C. \$ 6.93
- D. \$ 7.20

Question 41:

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

Question 42:

A company manufactures a carbonated drink, which is sold in 1 litre bottles. During the bottling process there a 20% loss of liquid input due to spillage and evaporation.

What is the standard usage of liquid per bottle?

- A. 0.80 litres
- B. 1.00 litres
- C. 1.20 litres
- D. 1.25 litres

Question 43:

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

What is the standard price per kg?

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

The following information relates to question (44) and (45):

	Budget	Actual
	\$	\$
Number of units produced	2,200	2,000
Direct materials	110,000	110,000
Direct labour	286,000	280,000
Variable overhead	132,000	120,000

The actual number of units produced was 2,000.

Question 44:

What was the total direct material variance?

- A. Nil
- B. \$ 10,000 Adverse
- C. \$ 10,000 Favorable
- D. \$ 11,000 Adverse

Question 45:

What was the total direct labour variance?

- A. \$ 6,000 Favorable
- B. \$ 20,000 Adverse
- C. \$ 22,000 Favorable
- D. Nil

Answer F2
First Section
June 2019

Section A:

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

Section B:

- (1) **D**
- (2) **D**
- (3) **D**
- (4) **A**
- (5) **B**
- (6) **D**
- (7) **D**
- (8) **D**
- (9) **B**
- (10) **B**