F2 Exam – Management Accounting

Section A: Multiple Choice Questions (MCQs)

Question 1:
Which of the following is a fixed cost?
A) Direct materials cost
B) Direct labor cost
C) Factory rent
D) Electricity cost based on production

Question 2:
Variable cost per unit = $5, Selling price = $8
What is the contribution per unit?
A) 3
B) 5
C) 8
D) 13

Question 3:
A company employs four product supervisors for all the products of the company. The salaries paid to these supervisors are:
A. Direct labour costs
B. Direct production expense.
C. Indirect production overhead.
D. Indirect administrative expense.

Question 4:
Break-even point is calculated as:
A) Fixed costs ÷ Selling price
B) Fixed costs ÷ Contribution per unit
C) Sales ÷ Costs
D) Variable costs ÷ Revenue

Question 5:
Which of the following is used in short-term decision making?
A) Sunk cost
B) Future cost
C) Historical cost
D) Non-cash cost

Question 6
Fixed costs = $ 10,000
Contribution per unit = $ 2
What is the break-even point (units)?
A) $ 5,000
B) $ 10,000
C) $ 20,000
D) $ 2,000

Question 7:
Which costing system is used for customized production?
A) Job costing
B) Process costing
C) Marginal costing
D) Standard costing

Question 8:
Material price variance is:
A) Price × Quantity
B) (Actual price – Standard price) × Quantity
C) Quantity × Fixed cost
D) Revenue – Cost

Question9:
Which of the following is not a fundamental attribute of good information?
A. Complete.
B. Concise.
C. Cost effective.
D. Timely

Question 10:
Which of the following is used for planning?
A) Financial statements
B) Budget
C) Tax reports
D) Internal audit

Question 11:
A company sells a product at $20
Variable cost = $12
Fixed costs = $16,000

Required:
Calculate the break-even point (in units)

Question 12:
Sales = 50,000
Variable costs = 30,000

Calculate:
Total contribution

Question 13:
A company has:
Selling price = 10
Variable cost = 6

Calculate the contribution margin ratio

Question 14:
Production = 1,000 units
Fixed costs = $ 5,000

Calculate fixed cost per unit

Question 15:
Break-even point = 2,000 units
Actual sales = 3,000 units

Calculate margin of safety

Question 16:
A company produces a product:

- Selling price = $ 15
- Variable cost = $ 9
- Fixed costs = $ 12,000

Required:

1. Calculate the break-even point
2. Calculate profit at 4,000 units
3. Comment on performance

Question 17:
Sunk costs affect decision making

A. True
B. False

Question 18:
Fixed costs do not change with activity level

A. True
B. False

Question 19:
Contribution = Revenue – Fixed costs

A. True
B. False

Question 20:
Process costing is used for continuous production

A. True
B. False

Question 21:
Which of the following is not stockholding cost?
A. The opportunity cost of capital lied up.
B. The cost of insurance.
C. Shipping and handling costs.
D. Stock obsolescence.

Question 22:
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.

Question 23
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 24
Information Summary of Co H for the month of June as follows:

	Budget	actual
Productions in units :	3936	3840

Direct labor costs in $	15744	17280

What is the total labor cost variance?
a- $ 1536 F
B- $ 1536 A.
c- $ 1920 F
d- $ 1920 A

Question 25
JI Company operates a bottling plant. The liquid content of a bottle filled with Product Z is 2 liters. During the bottling process, there is a 30% loss of the liquid input due to pouring and evaporation. The standard price of liquid is $1.20 per liter.
What is the standard cost of liquid per bottle of Product Z (rounded up)?
A) $2.40
B) $2.86
C) $3.12
D) $3.43

Question 26:
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 27:
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
E. Nil

Question 28 & 29

The following information relates to question (29) and (30):

	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 28
What was the total direct material variance?
A. Nil
B. $ 10,000 Adverse
C. $ 10,000 Favorable
D. $ 11,000 Adverse

Question 29
What was the total direct labour variance?
A. $ 6,000 Favorable
B. $ 20,000 Adverse
C. $ 22,000 Favorable
D NIL

Question 30:
SNR company manufactures a carbonated drink, which is sold in 1 liter 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 liters
B. 1.00 liters
C. 1.20 liters
D. 1.25 liters

Question 31:
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 32:
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

Question 33:
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 34:
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 35:
A accompany 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

Section B

(10 questions each question contains 3 marks)

Question 36

If $\sum X = 12$, $\sum Y = 42$, $\sum X^2 = 46$, $\sum Y^2 = 542$, $\sum XY = 157$, and $n = 4$.
What is the correlation coefficient?
a) 0.98
b) -0.98
c) 0.26
d) 0.008

Question 37
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

Question 38
Regression analysis produced the following results from the batch production costs for each of the past 5 months.
ΣX= 540, ΣY= 755, ΣX2= 61,000, ΣXY= 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 39:
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 40:
The following data relate to inventory item KLM:

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 41:
An extract from next year's budget for a manufacturing company is shown below:

	Month 3	**Month3**
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

Every unit needs 2 KGS from raw material.
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

Question 42
The annual demand for an inventory item is 2,500 units. The cost to place the order is $80, and the cost to hold the item in inventory for one year is $15.
What is the economic order quantity, rounded to the nearest unit?
a) 31 units.
b) 115 units.
c) 163 units.
d) 26,667 units

Question 43
A company manufactures a single product which it sells for $20 per unit. The product has a contribution to sales ratio of 40%. The company's weekly break- even point is sales revenue of $18,000.
What would be the profit in a week when 1,200 units are sold?
A $1,200
B $2,400
C $3,600
D $6,000

Question 44

A summary of a company's records for the most recent period is as follows:

	Actual	Budget
Production	1,925 units	2,070 units
Variable Production Overhead Cost	$11,550	$14,904
Labor Hours Completed	5,775	8,280

What is the variable production overhead variance for the most recent period?

	Spending	Efficiency
A)	$ 1,656 Positive	$ 2,070 Negative
B)	$ 1,656 Positive	$ 3,726 Negative
C)	$ 1,656 Positive	$ 4,140 Negative
D)	$ 3,354 Negative	$ 4,140 Negative

Question 45

ABC Air Transport loaded 250,000 kilograms of additional baggage over a distance of 7,500 kilometers at a cost of $3,750,000 in additional fuel.

What is the cost per kilogram-kilometer?

a) $0.002 per kilogram-kilometer

b) $2.00 per kilogram-kilometer

c) $33.33 per kilogram-kilometer

d) $500.00 per kilogram-kilometer