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Question 1

Question Type: MultipleChoice

Which of the following is NOT a characteristic of useful operational level information?

Options:

- A- Sufficiently accurate.
- B- Focused on the decision to be made.
- C- Available immediately.
- D- Governed by financial reporting standards.

Answer:

C

Question 2

Question Type: MultipleChoice

A company uses an integrated accounting system. The following data relate to the latest period.

Total production overheads	
Budgeted	\$218,000
Actual	\$242,880
Production volumes	
Budgeted	5,000 units
Actual	5,520 units

At the end of the period, the entry in the production overhead control account in respect of under or over absorbed overheads will be:

Options:

- A- \$22,672 debit.
- B- \$2,208 credit.
- C- \$2,208 debit.
- D- \$22,672 credit.

Answer:

A

Question 3

Question Type: MultipleChoice

According to CIMA's Code of Ethics, CIMA members should not allow bias, conflict of interest or the influence of other people to override their professional judgement.

This is an example of:

Options:

A- objectivity.

B- professional behaviour.

C- integrity.

D- professional competence and due care.

Answer:

A

Explanation:

Reference

http://www.cimaglobal.com/Documents/Professional%20ethics%20docs/2015%20code%20of%20ethics/CIMA_Code_of_Ethics.pdf (4)

Question 4

Question Type: MultipleChoice

The budget and actual cost statements for the production department for the latest period were as follows.

	Original budget		Actual	
Production units	6,000		6,600	
		\$		\$
Material	60,000 kg @ \$3	180,000	67,000 kg @ \$3.10	207,700
Labour: basic pay	1,000 hours @ \$16	16,000	1,090 hours @ \$16	17,440
overtime premium	100 hours @ \$8	800	190 hours @ \$8	1,520
Fixed costs		40,000		42,000
Total		236,800		268,660

Notes.

The 10% increase in production was required to meet unexpected additional sales demand.

The production manager is responsible for negotiating the price of materials with suppliers.

The normal working time is 900 hours per period. Any overtime worked above these 900 hours is paid at a premium of 50%.

In preparing the flexible budget for the latest period, which TWO of the following statements are correct? (Choose two.)

Options:

- A- The fixed costs should be flexed to $\$40,000 + 10\% = \$44,000$.
- B- The material quantity should be flexed to $60,000 + 10\% = 66,000$ kg.
- C- The basic pay hours should not be flexed; they should remain at 1,000 hours.
- D- The overtime hours should be flexed to $(1,000 + 10\%) - 900 = 200$ hours.
- E- The material price should be flexed to the actual figure of \$3.10 per kg.

Answer:

D, E

Question 5

Question Type: MultipleChoice

A company is appraising two projects. Both projects are for five years. Details of the two projects are as follows.

	Project A	Project B
Investment	\$1,000,000	\$500,000
Annual cash inflows	\$350,000	\$175,000

Based on the above information, which of the following statements is correct?

Options:

- A-** An annuity could be used to calculate the net present value of the projects.
- B-** The annuity factor for project A would be lower than the annuity factor for the project B.
- C-** A perpetuity could be used to calculate the net present value of the projects.
- D-** The annuity factor for project A would double the annuity factor for project B.

Answer:

A

Question 6

Question Type: MultipleChoice

Which type of budget would be the most suitable for a cash budget?

Options:

A- Fixed budget

B- Rolling budget

C- Incremental budget

D- Flexible budget

Answer:

B

Explanation:

<https://www.acowtancy.com/textbook/acca-pm/budgetary-systems/types-of-budgetary-systems/notes>

Question 7

Question Type: MultipleChoice

Assume that a unit of output is the cost object. Which of the following statements is valid?

Options:

- A-** Royalties paid on per unit basis are an example of an indirect expense.
- B-** Materials consumed in the maintenance of machinery used to manufacture several different products are an example of a direct material cost.
- C-** The salaries of supervisors who oversee the manufacture of several different products are an example of a direct labour cost.
- D-** Rent paid for a factory in which several different products are produced is an example of an indirect expense.

Answer:

C

Explanation:

<https://www.acowtancy.com/textbook/acca-ma/a3-cost-classification/cost-objects-cost-units-and-cost-centres-/notes>

Question 8

Question Type: MultipleChoice

The following data relate to the latest period.

	Original budget	Flexible budget	Actual
Sales and production volume	1,000 units	1,100 units	1,100 units
Sales	1,000 units @ \$80	1,100 units @ \$80	1,100 units @ \$79
Material cost	2,000 kg @ \$15	2,200 kg @ \$15	2,190 kg @ \$14.90
Labour cost	500 hours @ \$20	550 hours @ \$20	560 hours @ \$20.50

A statement is to be prepared that reconciles the difference between the flexible budget profit and the actual profit.

Which TWO of the following will appear on this statement? (Choose two.)

Options:

- A-** A favourable labour rate variance.
- B-** A favourable sales volume contribution variance.
- C-** An adverse sales price variance.
- D-** An adverse labour efficiency variance.
- E-** An adverse material price variance.

Answer:

C, D

Question 9

Question Type: MultipleChoice

A company makes and sells a range of products. The standard details per unit for one of these products, product X, are as follows.

	\$ per unit
Selling price	180
Variable material cost	40
Variable labour cost	60
Absorbed fixed production overhead	45
Profit	35

To meet sales demand, the company must obtain 2,000 units of product X next month. There is sufficient labour capacity to produce 1,500 of these units in-house during normal time. However, any production above this level would require overtime working which would be paid at a premium of 50%.

The company can buy as many units of product X as it wishes next month from an external supplier at a price of \$120 per unit.

What is the total financial benefit to the company of purchasing the appropriate number of units from the external supplier rather than producing them in-house?

Options:

A- \$20,000

B- \$30,000

C- \$27,500

D- \$5,000

Answer:

D

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