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Question 1

Question Type: MultipleChoice

GH manufactures a product using skilled labour and high quality materials. The company operates a standard costing system and a just-in-time (JIT) purchasing and production system. The standard selling price and variable costs for one unit of the product are as follows:

	\$
Selling price	136
Materials (2 kg @ \$10 per kg)	20
Labour (3 hours @ \$24 per hour)	72

The budgeted sales for October were 38,000 units.

Actual results for October were as follows:

Production and sales	36,000 units
Selling price	\$134 per unit
Materials	76,000 kg costing \$754,000
Labour	114,000 hours paid costing \$2,656,000

The Management Accountant has provided more detailed information regarding the labour mix.

The labour cost shown in the original standard cost was made up as follows:

Skilled labour	1.8 hours @ \$30 per hour	\$54
Semi-skilled labour	<u>1.2 hours @ \$15 per hour</u>	<u>\$18</u>
	<u>3.0 hours</u>	<u>\$72</u>

The actual mix of labour used in October was as follows:

Skilled labour	64,000 hours costing \$1,750,000
Semi-skilled labour	50,000 hours costing \$906,000

The Management Accountant has decided to undertake further variance analysis using the more detailed information.

Calculate the following variances for October, taking account of the more detailed information regarding the labour mix:

- (i) The total labour efficiency variance
- (ii) The total labour mix variance
- (iii) The total labour yield variance

Select the correct statements.

Options:

A- Labour yield variance: \$ 144 000 A

- B-** Labour mix variance: \$ 66 000 F
- C-** Labour efficiency variance: \$ 78 000 A
- D-** Labour efficiency variance: \$ 78 000 F
- E-** Labour efficiency variance: \$ 88 000 F
- F-** Labour mix variance: \$ 75 000 F
- G-** Labour efficiency variance: \$ 98 000 A
- H-** Labour mix variance: \$ 63 000 A

Answer:

A, B, C

Explanation:

References:

Question 2

Question Type: MultipleChoice

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Labour	114,000 hours paid costing \$2,656,000

Prepare a statement that reconciles the budgeted contribution with the actual contribution for October. Your statement should show the variances in as much detail as possible.

What was the actual contribution for October?

Options:

A- \$ 1,324,000

B- \$ 1,414,000

C- \$ 1,594,000

D- \$ 1,494,000

E- \$ 1,198,000

Answer:

B

Explanation:

References:

Question 3

Question Type: MultipleChoice

THS produces two products from different combinations of the same resources. Details of the products are shown below:

	E per unit	R per unit
Selling price	\$99	\$159
Material A (\$2 per kg)	3 kgs	2 kgs
Material B (\$6 per kg)	4 kgs	3 kgs
Machining (\$7 per hour)	2 hours	3 hours
Skilled labour (\$10 per hour)	2 hours	5 hours
Maximum monthly demand (units)	unlimited	1,500

THS is preparing the production plan for next month. The maximum resource availability for the month is:

Material A	5,000 kgs
Material B	5,400 kgs
Machining	3,000 hours
Skilled labour	4,500 hours

Identify, using graphical linear programming, the optimal production plan for products E and R to maximize THS's profit in the month.

Options:

- A-** The solution (from the graph) is to produce 675 units of E and 470 units of R.
- B-** The solution (from the graph) is to produce 495 units of E and 670 units of R.
- C-** The solution (from the graph) is to produce 475 units of E and 770 units of R.
- D-** The solution (from the graph) is to produce 375 units of E and 750 units of R.
- E-** The solution (from the graph) is to produce 375 units of E and 870 units of R.
- F-** The solution (from the graph) is to produce 495 units of E and 470 units of R.

Answer:

D

Explanation:

References:

Question 4

Question Type: MultipleChoice

Explain THREE benefits that organizations gain from using budgetary planning and control systems.

Select ALL the true statements.

Options:

A- The budget acts as a variable mechanism, with actual results being compared with budget.

B- Budgeting forces an organization's management to look ahead and set performance targets.

- C-** The budget provides an external benchmark against which performance against which performance can be evaluated.
- D-** The budget ensures actions of different parts of the organization are coordinated are reconciled otherwise managers take actions for the benefit of their own part of organization that may not benefit the organization as a whole.
- E-** Another benefit of budgeting is to set targets to motivate managers and optimize their performance.
- F-** The budget is a useful device of influencing an operator's thoughts and motivating operators to perform in line with the organization's marketing budget.
- G-** It provides a standard which managers may be motivated to achieve. It can also encourage inefficiency and conflict between managers particularly if the budget is imposed from above, whereby it may act as a threat rather than as a challenge.

Answer:

B, D, E, G

Explanation:

References:

Question 5

Question Type: MultipleChoice

CH is a building supplies company that sells products to trade and private customers.

Budget data for each of the six months to March are given below:

	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>March</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Credit sales	250	250	250	260	260	280
Cash sales	60	60	65	75	80	90
Credit purchases	170	180	180	200	200	200
Other operating costs (excluding depreciation)	90	90	90	122	123	123

80% of the value of credit sales is received in the month after sale, 10% two months after sale and 8% three months after sale. The balance is written off as a bad debt.

75% of the value of credit purchases is paid in the month after purchase and the remaining 25% is paid two months after purchase.

All other operating costs are paid in the month they are incurred.

CH has placed an order for four new forklift trucks that will cost \$25,000 each. The scheduled payment date is in February.

The cash balance at 1 January is estimated to be \$15,000.

Prepare a cash budget for each of the THREE months of January, February and March.

Select All the correct answers.

Options:

- A- The total receipts in January will be \$245000
- B- Total payments in March will be \$323000
- C- The total receipts in January will be \$320000
- D- The total payments in February will be \$405000

Answer:

B, C

Explanation:

References:

Question 6

Question Type: MultipleChoice

PL currently earns an annual contribution of \$2,880,000 from the sale of 90,000 units of product B. Fixed costs are \$800,000 per annum.

The management of PL is considering reducing the selling price per unit to \$48. The estimated levels of demand at the revised selling price and the probabilities of them occurring are as follows:

<i>Selling price of \$48</i>	
<i>Demand</i>	<i>Probability</i>
100,000 units	0.40
120,000 units	0.60

The estimated variable costs per unit at either of the higher levels of demand and the probabilities of them occurring are as follows:

<i>Variable cost (per unit)</i>	<i>Probability</i>
\$21	0.25
\$19	0.75

The level of demand and the variable cost per unit are independent of each other.

Calculate the probability that the profit will increase from its current level if the selling price is reduced to \$48.

Options:

- A-** The probability therefore that the contribution will exceed \$2,880,000 is 90%.
- B-** The probability therefore that the contribution will exceed \$2,880,000 is 50%.
- C-** The probability therefore that the contribution will exceed \$2,880,000 is 70%.
- D-** The probability therefore that the contribution will exceed \$2,880,000 is 40%.

Answer:

A

Explanation:

References:

Question 7

Question Type: MultipleChoice

The term 'budgetary slack' refers to the:

Options:

- A-** Lead time between the preparation of the functional budgets and the approval of the master budget by senior management
- B-** Difference between the budgeted output and the actual output
- C-** Difference between budgeted capacity utilization and full capacity

D- Intentional over estimation of costs and/or under estimation of revenue in a budget

Answer:

D

Explanation:

References:

Question 8

Question Type: MultipleChoice

A company sells and services photocopying machines. Its sales department sells the machines and consumables, including ink and paper, and its service department provides an after sales service to its customers. The after sales service includes planned maintenance of the machine and repairs in the event of a machine breakdown. Service department customers are charged an amount per copy that differs depending on the size of the machine.

The company's existing costing system uses a single overhead rate, based on total sales revenue from copy charges, to charge the cost of the Service Department's support activities to each size of machine. The Service Manager has suggested that the copy charge should more accurately reflect the costs involved. The company's accountant has decided to implement an activity-based costing system and

has obtained the following information about the support activities of the service department:

Activity	Cost Driver	Overheads per annum \$000
Customer account handling	Number of customers	126
Planned maintenance scheduling	Number of planned maintenance visits	480
Unplanned maintenance scheduling	Number of unplanned maintenance visits	147
Spare part procurement	Number of purchase orders	243
Other overheads	Number of machines	600
Total overheads		1,596

The following data have also been collected for each machine size:

	Small photocopiers	Medium photocopiers	Large photocopiers
Charge per copy	\$0.03	\$0.04	\$0.05
Average number of copies per year per machine	60,000	120,000	180,000
Number of machines	300	800	500
Planned maintenance visits per machine per year	4	6	12
Unplanned maintenance visits per machine per year	1	1	2
Total number of purchase orders per year	500	1,200	1,000
Cost of parts per maintenance visit	\$100	\$300	\$400
Labour cost per maintenance visit	\$60	\$80	\$100

Each customer has a service contract for two machines on average.

Calculate the annual profit per machine for each of the three sizes of machine using activity-based costing.

Options:

A- Profit Per Machine using ABC: Small \$1076, Medium \$1041, Large \$1946

B- Profit Per Machine using ABC: Small \$186, Medium \$1441, Large \$2046

C- Profit Per Machine using ABC: Small \$196, Medium \$1191, Large \$1046

D- Profit Per Machine using ABC: Small \$376, Medium \$2341, Large \$986

E- Profit Per Machine using ABC: Small \$166, Medium \$1241, Large \$746

F- Profit Per Machine using ABC: Small \$176, Medium \$1341, Large \$946

References:

Answer:

E

Question 9

Question Type: MultipleChoice

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- D- \$ 1,494,000
- E- \$ 1,198,000

Answer:

B

Explanation:

References:

Question 10

Question Type: MultipleChoice

Explain how probability analysis could be used to assess the risk of the evaluated projects.

Select all the true statements.

Options:

A- The company can determine a range of possible outcomes for each of the cash flows in the project, for example, a high, low and medium estimate of each cash flow could be determined.

B- The net present value (NPV) of the project, if all high, low or medium estimates occurred, can be calculated along with the combined

probabilities of their occurrence.

C- The probabilities can be combined to calculate the expected value of each cash flow element and of the project as a whole

D- The NPVs of a sample range of possible outcomes and the probability of each NPV can be calculated. If a small sample is taken the distribution of outcomes can be used to calculate the zero activities deviation of the NPVs and the probability of success of the projects.

Answer:

A, B, C

Explanation:

References:

Question 11

Question Type: MultipleChoice

XY can choose from four mutually exclusive projects. The projects will each last for one year and their net cash inflows will be determined by market conditions. The forecast net cash inflows for each of the possible outcomes are shown below.

<i>Market Conditions</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>
	\$000	\$000	\$000
Project A	440	470	560
Project B	400	550	580
Project C	360	400	480
Project D	320	380	420

If the company applies the maximin criterion the project chosen would be:

Options:

- A- Project A
- B- Project B
- C- Project C
- D- Project D

Answer:

A

Explanation:

References:

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