



CIMAPRA17-BA2-1 Practice Questions

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Question 1

Question Type: MultipleChoice

A company employs 28 production workers for 40 hours per week. The workers are paid \$6 per hour during normal time and an overtime premium of 20%. It is anticipated that the employees will work at 95% efficiency.

Budgeted production for next week is 608 units and each unit requires 2 direct labour hours.

What is the direct labour cost budget for the week?

Options:

- A- \$7,872
- B- \$6,973
- C- \$7,411
- D- \$7,680

Answer:

A

Question 2

Question Type: MultipleChoice

If a company has a limiting factor, profit will be maximized by:

Options:

- A- Producing most of the product which uses least units of the limiting factor
- B- Producing most of the product with the highest contribution per unit
- C- Producing most of the product with the highest contribution per unit of the limiting factor
- D- Producing most of the product with the highest profit per unit

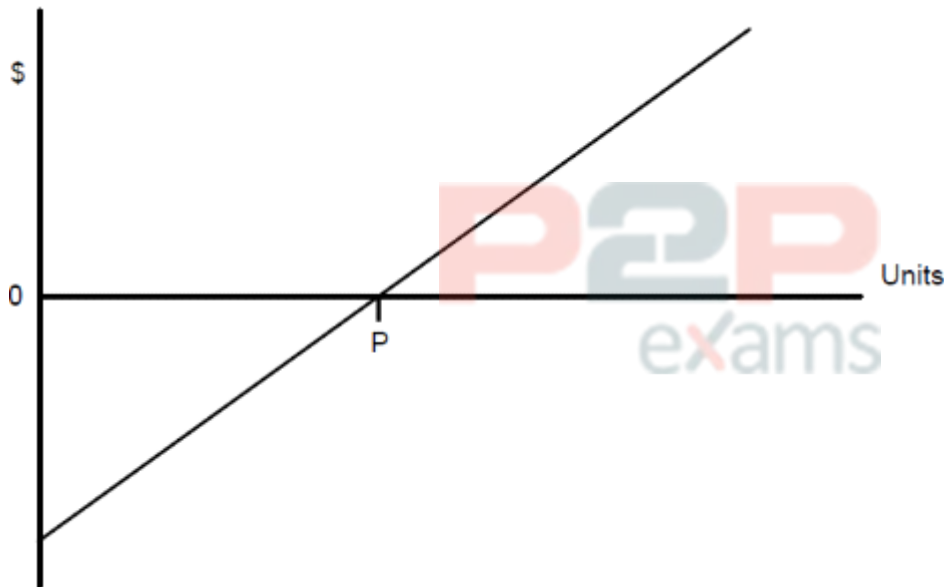
Answer:

C

Question 3

Question Type: CorrectText

Refer to the exhibit.



The profit/volume graph below has been prepared for a product for which the following data are available for a period:

Selling price - \$28 per unit

Variable cost - \$23 per unit

Fixed cost - \$4 per unit

Forecast sales volume is 1,000 units each period.

The value of P in units is:

Answer:

Question 4

Question Type: MultipleChoice

A management accountant has forecast the following cash inflows from four potential projects.

	Project A	Project B	Project C	Project D
	\$000	\$000	\$000	\$000
Year 1	400	200	400	200
Year 2	100	400	200	400
Year 3	400	400	400	100
Year 4	200	100	100	400

All four projects require the same initial investment and will last for four years. They all result in a positive net present value but only one of the projects can be undertaken.

Which project should be selected?

Options:

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

Answer:

A

Question 5

Question Type: CorrectText

Apex Plc has budgeted to sell 8,000 units of A in the year. Opening inventory of A is estimated at 1,000 units and the company plans to reduce inventory levels of all products by 15%.

What will be the production budget (in units) for the year?

Answer:

Question 6

Question Type: MultipleChoice

A company has spent \$5,000 on a report into the viability of using a subcontractor. The report highlighted the following:

A machine purchased six years ago for \$30,000 would become surplus to requirements. It has a written-down value of \$10,000 but would be resold for \$12,000.

A machine operator would be made redundant and would receive a redundancy payment of \$40,000.

The administration of the subcontractor arrangement would cost the company \$25,000 each year.

Which THREE of the following are relevant for the decision? (Select three.)

Options:

- A- A relevant cost of \$5,000 for the viability report.
- B- A relevant cost of \$30,000 for the machine.
- C- A relevant cost of \$40,000 for the redundancy payment.
- D- A relevant cost of \$10,000 for the machine.
- E- A relevant cost of \$25,000 each year for administration.
- F- A relevant revenue of \$12,000 for the machine.

Answer:

A, D, E

Question 7

Question Type: CorrectText

Refer to the exhibit.

Data	Quantity	
Hours worked	1,920	hours
Actual rate paid	\$5	per hour
Labour efficiency variance	\$360	favourable

The standard labour cost per unit of product 'B' is \$24 (6 hours @ \$4 per hour).

During period 5 the following details were recorded:

The output during period 5 was

Answer:

Question 8

Question Type: MultipleChoice

The materials price variance will be adverse when:

Options:

- A- The actual cost of the materials is more than the standard material cost for the output produced
- B- The actual cost of the materials purchased is more than the standard cost of the materials purchased
- C- The materials usage variance is favourable
- D- The price of materials has fallen

Answer:

B

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