Question 1

LM operates a parcel delivery service. Last year its employees delivered 15,120 parcels and travelled 120,960 kilometers. Total costs were $194,400.

LM has estimated that 70% of its total costs are variable with activity and that 60% of these costs vary with the number of parcels and the remainder vary with the distance travelled.

LM is preparing its budget for the forthcoming year using an incremental budgeting approach and has produced the following estimates:

* All costs will be 3% higher than the previous year due to inflation

* Efficiency will remain unchanged

* A total of 18,360 parcels will be delivered and 128,800 kilometers will be travelled.

Calculate the following costs to be included in the forthcoming year's budget:

(i) the total variable costs related to the number of parcels delivered.

(ii) the total variable costs related to the distance travelled.

Options:

A- Parcel related cost for next year = $112,308; Distance related costs for next year = $79,590

B- Parcel related cost for next year = $109,118; Distance related costs for next year = $89,699

C- Parcel related cost for next year = $112,118; Distance related costs for next year = $59,699

D- Parcel related cost for next year = $105,306; Distance related costs for next year = $30,590

E- Parcel related cost for next year = $115,306; Distance related costs for next year = $31,590

Answer:

C

Explanation:

References:

Question 2

Question Type: MultipleChoice

A company produces a product that requires two materials, Material A and Material B. Details of the material quantities and costs for August are given in the table below.

	Material A		Material B	
	Budget	Actual	Budget	Actual
Quantity (kg)	24,000	23,000	36,000	38,000
Cost per kg	$2.40	$2.30	$1.30	$1.38

Budgeted and actual output of the product for August was 12,000 units.

The material yield variance for August is:

Options:

A- $1,340 A

B- $1,590 A

C- $1,740 A

D- $1,340 F

E- $1,840 A

Answer:

C

Explanation:

References:

Question 3

A company produces a product that requires two materials, Material A and Material B. Details of the material quantities and costs for August are given in the table below.

	Material A		Material B	
	Budget	Actual	Budget	Actual
Quantity (kg)	24,000	23,000	36,000	38,000
Cost per kg	$2.40	$2.30	$1.30	$1.38

Budgeted and actual output of the product for August was 12,000 units.

The material mix variance for August is:

Options:

A- $ 1, 540 Favourable

B- $ 1, 540 Adverse

C- $ 1, 288 Favourable

D- $ 1, 540 Adverse

Answer:

A

Explanation:

References:

Question 4

Question Type: **MultipleChoice**

A company is preparing its annual budget and is estimating the number of units of Product W that it will sell in each quarter of year 2.
Past experience has shown that the trend for sales of the product is represented by the following relationship:

A company is preparing its annual budget and is estimating the number of units of Product W that it will sell in each quarter of year 2. Past experience has shown that the trend for sales of the product is represented by the following relationship:

$y = a + bx$ where:

y = number of sales units in the quarter
$a = 15,000$
$b = 3,000$
x = the quarter number where 1 = quarter 1 of year 1

Actual sales of Product W in year 1 were affected by seasonal variations and were as follows:

Quarter 1: 20,250 units
Quarter 2: 19,425 units
Quarter 3: 25,200 units
Quarter 4: 24,300 units

Calculate the expected unit sales of Product W for each quarter of year 2, after adjusting for seasonal variations using the multiplicative model.

Options:

A- The sales forecast for year 2 Quarter 4 = 35,100 units

B- The sales forecast for year 2 Quarter 4 = 25,100 units

C- The sales forecast for year 2 Quarter 4 = 22,600 units

D- The sales forecast for year 2 Quarter 4 = 38,100 units

Question 5

A company's budget for the next period shows that it would breakeven at sales revenue of $800,000 and fixed costs of $320,000.

The sales revenue needed to achieve a profit of $200,000 in the next period would be:

Options:

A- $1,950,000

B- $1,780,000

C- $1,400,000

D- $1,300,000

E- $1,390,000

Answer:

D

Explanation:

References:

Question 6

A company uses a standard costing system.

The company's sales budget for the latest period includes 1,500 units of a product with a selling price of $400 per unit.

The product has a budgeted contribution to sales ratio of 30%.

Actual sales for the period were 1,630 units at a selling price of $390 per unit.

The actual contribution to sales ratio was 28%.

The sales volume contribution variance for the product for the latest period is:

Options:

A- $15, 600 F

B- $17, 800 F

C- $55, 600 F

D- $32, 900 F

Answer:

A

Explanation:

References:

Question 7

A company uses an activity based costing system. The company manufactures three products, details of which are given below:

	Product X	Product Y	Product Z
Annual production (units)	160,000	200,000	100,000
Batch size (units)	100	50	25
Number of inspections per batch	3	4	6

Options:

A- $0.23

B- $0.27

C- $0.31

D- $0.35

Answer:

B

Explanation:

References:

Question 8

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.

Market Conditions	Poor $000	Average $000	Good $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:

Question 9

Question Type: MultipleChoice

RS is a travel company providing daily tours of a major European capital city. The market is highly competitive and RS has commissioned some market research to help with the pricing decision for a new tour. The research identified the probability of three possible market conditions and the number of tickets that would be sold each day at three different price levels.

| | | Ticket Price | | |
| | | $80 | $90 | $100 |
Market	Probability	No. of tickets	No. of tickets	No. of tickets
Weak	0·3	80	60	30
Good	0·5	100	90	80
Excellent	0·2	150	150	120

Demonstrate, using a decision tree and based on expected value, which ticket price RS should choose.

Options:

A- RS should charge a ticket price of $70.

B- RS should charge a ticket price of $80.

C- RS should charge a ticket price of $90.

D- RS should charge a ticket price of $100.

E- RS should charge a ticket price of $75

Answer:

C

Explanation:

References:

Question 10

EF manufactures and sells three products, X, Y and Z. The following production overhead costs are budgeted for next year:

Activity	$
Set up	560,000
Material handling	242,000
Inspection	386,000
Total production overheads	1,188,000

Budgeted details for each of the products for next year are as follows:

	Product X	Product Y	Product Z
Production units	10,000	16,000	18,000
Batch size	100	200	300
Number of set ups per batch	2	3	6
Number of material movements	16,530	20,938	17,632
Number of inspections	1,188	1,782	2,430

Required:

Calculate the total budgeted production overhead cost for each product using activity based budgeting.

Options:

A- The total budgeted production overhead cost was $ 1 285 000

B- The total budgeted production overhead cost was $ 1 305 000

C- The total budgeted production overhead cost was $ 2 195 000

D- The total budgeted production overhead cost was $ 1 188 000

E- The total budgeted production overhead cost was $ 1 258 000

Answer:

D

Explanation:

References: