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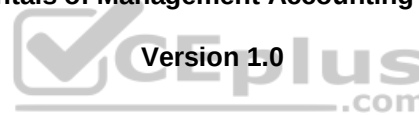
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CIMAPRO17-BA2-X1-ENG

BA2 – Fundamentals of Management Accounting Question Tutorial



Version 1.0

Exam A

QUESTION 1

Which of the following is a relevant cost?

- A. A sunk cost
- B. A committed cost
- C. An incremental cost
- D. A historical cost

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/cima-p1-2015/c1-relevant-costing/concept-of-relevant-costing/notes>

QUESTION 2 Which of the following would NOT be an appropriate performance measure for a profit centre manager?

- A. Return on capital employed
- B. Contribution per unit
- C. Sales price variance
- D. Gross margin

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 3 The following data are available for a company that produces and sells a single product.

- The company's opening finished goods inventory was 2,500 units.
- The fixed overhead absorption rate is \$8.00 per unit.
- The profit calculated using marginal costing is \$16,000.
- The profit calculated using absorption costing and valuing its inventory at standard cost is \$22,400.

The company's closing finished goods inventory is:

- A. 3,300 units
- B. 1,700 units
- C. 3,900 units
- D. 8,900 units

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 4 Which of the following would NOT require taking into account the time value of money?

- A. Deciding to make a long-term investment in a project on the basis of its payback period.

- B. Selecting an investment project on the basis that it has a positive net present value (NPV).
- C. Calculating the present value of a five-year annuity.
- D. Taking a long-term investment decision on the basis of the project's internal rate of return (IRR).

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/acca-fm/d1-investment-appraisal-techniques/npv/notes>

QUESTION 5

A small airport's management accountant has prepared the following management report on the performance of its four retail outlets.

	Outlet A	Outlet B	Outlet C	Outlet D
Sales revenue (\$000)	\$540	\$620	\$740	\$1,380
Variable costs (\$000)	\$184	\$270	\$308	\$480
Fixed costs (\$000)	\$139	\$148	\$50	\$320
Profit (\$000)	\$217	\$202	\$382	\$580
Return on sales ratio (%)	40%	33%	52%	42%
Area occupied (square metres)	200	120	160	340

Which retail outlet has the highest contribution per square metre?

- A. Outlet A
- B. Outlet B
- C. Outlet C
- D. Outlet D



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 6

The staffing policy for a supermarket is to have one cashier station open for every forecasted 20 customers per hour. Cashiers are hired by the hour as and when required, and do not perform any other duties.

The cost of the cashiers in relation to the number of customers would be classified as which type of cost?

- A. Stepped fixed cost
- B. Variable cost
- C. Semi-variable cost
- D. Fixed cost

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/acca-ma/a3-cost-classification/a3g-types-of-cost-behaviour/notes>

QUESTION 7

A company uses standard absorption costing. Budgeted and actual data for the latest period are as follows.

	Budget	Actual
Sales and production volume	6,000 units	6,100 units
	\$	\$
Direct production costs	96,000	97,600
Indirect production costs	126,000	164,700
Indirect selling and distribution costs	48,000	48,800

What was the production overhead absorption rate per unit?

- A. \$21
- B. \$27
- C. \$35
- D. \$29

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 8 The year-to-date results at the end of month 9 included sales revenue of \$3,600,000 and variable costs of \$2,100,000.

During month 10, sales revenue was \$450,000 and variable costs were \$270,000.

What year-to-date contribution to sales ratio (C/S ratio) would be reported at the end of month 10?

- A. 58,5%
- B. 70,9%
- C. 41,5%
- D. 40,0%



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9 Which TWO of the following are characteristics of Management Accounts?

(Choose two.)

- A. Governed by rules and regulations
- B. Provide information to managers
- C. Provide information needed by shareholders
- D. Internally focused
- E. Statutory requirement

Correct Answer: BE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 10 In a company that manufactures many different products on the same production line, which TWO of the following would NOT be classified as indirect production costs?

(Choose two.)

- A. Salary paid to the factory manager.
- B. Factory rent.
- C. Maintenance costs for the company's only production line.
- D. Commissions paid to the sales team.
- E. Royalties paid to the designers of the products.

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 11

A company is considering investing \$57,000 in a machine that will last for five years, after which time it will have no value. The machine will generate additional revenue of \$190,000 each year. Annual running costs, including depreciation of \$11,400 will amount to \$168,400.

Assuming that all cash flows occur evenly, the payback period of the investment in the machine is closest to:

- A. 2 years 8 months
- B. 1 year 9 months
- C. 1 year 7 months
- D. 2 years 6 months

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 12 Which of the following statements about batch costing is true?

- A. Batch costing must use absorption costing.
- B. The cost of a batch is found by multiplying the cost of one unit by the number of units in the batch.
- C. Batch costing must use marginal costing.
- D. The cost of a unit is found by dividing the cost of a batch by the number of units in the batch.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/acca-ma/c3-cost-accounting-methods/c3ai-job-and-batch-costing/notes>

QUESTION 13 Which of the following is NOT a valid purpose of budgeting?

- A. To communicate targets to managers.
- B. To comply with financial reporting requirements.
- C. To coordinate the different activities of an organisation.
- D. To authorise managers to incur expenditure.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

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

QUESTION 14 Which of the following is a valid definition of a cash budget?

- A. A detailed budget of estimated cash inflows and outflows incorporating both revenue and capital items.
- B. A detailed budget of estimated cash inflows only, incorporating receipts from cash sales as well as from credit customers.
- C. A detailed budget of estimated cash inflows and outflows incorporating revenue items only.
- D. A detailed budget of estimated cash outflows only, incorporating both depreciation and capital expenditure.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/acca-ma/d2-budget-preparation/cash-budgets/notes>

QUESTION 15

Based upon extensive historical evidence, a company's daily sales volume is known to be normally distributed with a mean of 1,728 units and a standard deviation of 273 units.

What is the probability that, on any one day, the sales volume will be at least 1,300 units?

- A. 5.82%
- B. 73.89% C. 44.18%
- D. 94.18%

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

**QUESTION 16**

A new product requires an investment of \$200,000 in machinery and working capital. The total sales volume over the product's life will be 5,000 units. The forecast costs per unit throughout the product's life are as follows:

	\$
Direct material	15
Direct labour	12
Absorbed production overhead	6

The product is required to earn a return on investment of 35%.

What unit selling price needs to be achieved?

- A. \$54.00
- B. \$50.77
- C. \$47.00
- D. \$44.55

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 17

The following is an extract from a budgetary control report for the latest period:

	Original budget \$	Flexed budget \$	Actual \$
Direct material	25,600	30,720	35,800
Direct labour	51,000	61,200	59,380
Variable production overhead	5,850	7,020	7,100
Fixed production overhead	95,000	95,000	97,770
Total production cost	177,450	193,940	200,050

The budget variance for prime cost is:

- A. \$3,260 adverse
- B. \$18,580 adverse
- C. \$3,340 adverse
- D. \$3,260 favourable

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 18

A project is about to be launched. Two of the three possible outcomes and their associated probabilities are as follows:

\$25,000 loss	0.2
\$30,000 gain	0.7

The remaining possible outcome is a \$70,000 gain.

What is the correct calculation of the expected value of the project?

- A. $(\$30,000 + \$70,000 - \$25,000) / 3$
- B. $(\$30,000 + \$70,000 - \$25,000) \times (0.7 + (1.0 - (0.2 + 0.7)) + 0.2)$
- C. $(\$30,000 \times 0.7) + (\$70,000 \times (1.0 - (0.2 + 0.7))) + (\$25,000 \times 0.2)$
- D. $(\$30,000 \times 0.7) + (\$70,000 \times (1.0 - (0.2 + 0.7))) - (\$25,000 \times 0.2)$

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 19

Which of the following statements relating to risk and uncertainty is correct?

- A. Risk exists when we do not know all of the possible outcomes.
- B. Risk exists when we know all of the possible outcomes but not their probabilities.
- C. Uncertainty exists when we know all of the possible outcomes but not their probabilities.
- D. Uncertainty exists when we know all of the possible outcomes and their probabilities.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 20

Data for the latest period for a company which makes and sells a single product are as follows:

	Budget		Actual	
Production units		1,300		1,100
		\$		\$
Sales revenue		104,000		90,200
Direct material	3,900 kg @ \$4.30	(16,770)	3,410 kg @ \$3.90	(13,299)
Direct labour	2,600 hours @ \$12	(31,200)	2,310 hours @ \$14	(32,340)
Variable overhead	2,600 hours @ \$6	(15,600)	2,310 hours @ \$5.80	(13,398)
Contribution		40,430		31,163

There were no budgeted or actual changes in inventories during the period.

The sales volume contribution variance for the period was:

- A. \$6,220 adverse.
- B. \$9,267 adverse.
- C. \$16,000 adverse.
- D. \$5,666 adverse.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 21

Data for the latest period for a company which makes and sells a single product are as follows:

	Budget		Actual	
Production units		1,300		1,100
		\$		\$
Sales revenue		104,000		90,200
Direct material	3,900 kg @ \$4.30	(16,770)	3,410 kg @ \$3.90	(13,299)
Direct labour	2,600 hours @ \$12	(31,200)	2,310 hours @ \$14	(32,340)
Variable overhead	2,600 hours @ \$6	(15,600)	2,310 hours @ \$5.80	(13,398)
Contribution		40,430		31,163

There were no budgeted or actual changes in inventories during the period.

The variable overhead expenditure variance for the period was: A.

\$462 favourable.

- B. \$462 adverse.
- C. \$2,202 favourable.
- D. \$2,202 adverse.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22

A company operates an integrated standard cost accounting system. The standard price of raw material A is \$20 per litre. At the start of period 1, the inventory of 500 litres of raw material A was valued at \$20 per litre. During period 1, 100 litres of raw material A were purchased at an actual price of \$21 per litre. During period 2, 550 litres of raw material A were issued to Job 789.

In respect of the above events, which TWO of the following statements are correct? (Choose two.)

- A. The raw material inventory at the end of period 1 should include 100 litres valued at \$21 per litre.
- B. An adverse material price variance should be recorded in the statement of profit or loss for period 1.
- C. The raw material inventory at the end of period 2 should be valued at \$20 per litre.
- D. An adverse material price variance should be recorded in the statement of profit or loss for period 2.
- E. The first 500 litres of raw material A issued should be debited to the Job 789 account at \$20 per litre, and the remaining 50 litres at \$21 per litre.

Correct Answer: DE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 23

The International Federation of Accountants (IFAC) stated that it was important that “accountants in business” should understand what the drivers of stakeholder value are. Which of the following statements is valid?

- A. Anyone with an interest in an organisation can be considered to be one of its stakeholders.
- B. Stakeholders must be external to the organisation.
- C. Only an organisation’s shareholders and employees can be considered to be its stakeholders.
- D. Only an organisation’s shareholders can be considered to be its stakeholders.



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

A company that uses standard costing wishes to reconcile the difference between the profit for a period calculated using absorption costing with that calculated using marginal costing. Which

TWO of the following will NOT help with this reconciliation? (Choose two.)

- A. The actual fixed production overheads.
- B. The closing inventory.
- C. The opening inventory.
- D. The under or over absorbed fixed production overheads.
- E. The fixed production overhead absorption rate.

Correct Answer: AE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 25

Every month for the last three years, a company has recorded the number of new customers for that month. The data have been summarised and grouped as follows:

Number of new customers	Number of months
0 to 2	8
3 to 6	10
7 to 10	12
11 to 12	6

What is the arithmetic mean of the number of new customers per month?

- A. 6.22
- B. 6.50
- C. 6.38
- D. 8.50

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 26

FILL BLANK

A company wishes to compare the variability of its monthly sales revenue in country A with that of country B. The two countries use different currencies.

The monthly sales revenue for the last 48 months in country A (which is measured in \$) has been analysed as follows.

Mean	10,728
Median	9,327
Variance	2,359,296

What is the coefficient of variation of this data?

Give your answer as a percentage to one decimal place.

Correct Answer: 0.143

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.statisticshowto.datasciencecentral.com/probability-and-statistics/how-to-find-a-coefficient-of-variation/>

QUESTION 27

A company's management accountant wishes to calculate the present value of the cost of renting a delivery vehicle. There will be five annual rental payments of \$5,000, the first of which is due immediately. The company's discount rate is 12%.

Which TWO of the following are valid ways to calculate the present value of the rental payments? (Choose two.)

- A. $\$5,000 + (\$5,000 \times 3.605)$
- B. $\$5,000 + \$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4$
- C. $\$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4 + \$5,000/(1.12)^5$
- D. $\$5,000 \times 3.605$
- E. $\$5,000 + (\$5,000 \times 3.037)$

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 28

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?

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 29

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?

- A. \$20,000 B. \$30,000
- C. \$27,500
- D. \$5,000

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

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.)

- 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.

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 31

DRAG DROP

A company manufactures three products using the same direct labour which will be in short supply next month. No inventories are held. Data for the three products are as follows:

	Product R	Product S	Product T
	\$ per unit	\$ per unit	\$ per unit
Selling price	40.50	37.75	40.35
Direct labour cost	15.00	15.10	15.75
Other variable costs	5.30	0.50	2.40
Fixed costs	4.20	6.30	2.20
Profit	16.00	15.85	20.00

The fixed costs are all committed costs and cannot now be altered for the next month.

Place the labels against the correct product to indicate the order of priority for manufacture that will maximise the profit for the next month.

Select and Place:

Product	Correct order
Product R	
Product S	
Product T	

Correct Answer:

Product	Correct order
Product R	Product T
Product S	Product S
Product T	Product R

Section: (none)
Explanation

Explanation/Reference:

QUESTION 32 Assume that a unit of output is the cost object. Which of the following statements is valid?

- 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.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

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

QUESTION 33

FILL BLANK

A company absorbs production overhead using a direct labour hour rate. Data for the latest period are as follows:

Actual overhead incurred	\$190,750
Over absorbed overhead	\$1,750
Actual activity	35,000 direct labour hours

What is the overhead absorption rate per direct labour hour? Give your answer to one decimal place.

Correct Answer: 5.4

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34 Which type of budget would be the most suitable for a cash budget?

- A. Fixed budget
- B. Rolling budget
- C. Incremental budget
- D. Flexible budget



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

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

QUESTION 35

A confectionery manufacturer is considering adding a new product to the current range. Forecast data for the product are as follows.

	\$ per unit
Selling price	500
Variable cost	330
Contribution	170

Incremental fixed costs attributable to the new product are forecast to be \$24,000 each period.

The forecast sales volume of 180 units is insufficient to achieve the target profit of \$10,000 each period.

Which of the following statements is correct?

- A. The margin of safety is negative because the target profit will not be achieved from the forecast sales volume.
- B. If the fixed cost is changed to \$20,000 the sales volume required to break even will decrease.
- C. If the forecast sales volume is changed to 190 units the sales volume required to achieve the target profit will decrease.
- D. If the selling price is changed to \$510 the sales volume required to achieve the target profit will increase.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 36 The concept of the time value of money:

- A. recognises the fact that a cash flow received today will always be worth more than a larger cash flow received in the future.
- B. is used for making short term decisions.
- C. determines the higher interest rates that must be paid on longer term loans.
- D. recognises the fact that earlier cash flows are worth more because they can be reinvested.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/cat-ffm/e1-financing-concepts/e1c-concept-of-time-value-of-money/notes>

QUESTION 37 In responsibility accounting, costs and revenues are grouped according to:

- A. the budget holder.
- B. their function.
- C. the service provided.
- D. their behaviour.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: https://books.google.com.pk/books?id=8SaARYOfIPIC&pg=PA41&lpg=PA41&dq=In+responsibility+accounting,+costs+and+revenues+are+grouped+according+to+behaviour&source=bl&ots=k1MUf5PG8&sig=ACfU3U0B5Z_NUf3JK_FFiGhls3aJOiivg&hl=en&sa=X&ved=2ahUKewjgtsXqk8rnAhXFz4UKHRPWCuUQ6AEwCnoECAgQAQ#v=onepage&q=In%20responsibility%20accounting%2C%20costs%20and%20revenues%20are%20grouped%20according%20to%20behaviour&f=false

QUESTION 38

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?

- 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.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 39

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.

1. The 10% increase in production was required to meet unexpected additional sales demand.
2. The production manager is responsible for negotiating the price of materials with suppliers.
3. 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.)

- 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.

Correct Answer: DE

Section: (none)

Explanation

Explanation/Reference:



QUESTION 40

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:

- A. objectivity.
- B. professional behaviour.
- C. integrity.
- D. professional competence and due care.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

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

QUESTION 41

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:

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42 Which of the following is NOT a characteristic of useful operational level information?

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 43

FILL BLANK

The records of a manufacturing company show the following relationship between total cost and output.

	Period 1	Period 2
Total cost	\$535,000	\$340,000
Output	35,000 units	20,000 units

The budgeted output for Period 3 is 27,000 units. Assume that previous cost behaviour patterns will continue.

What is the total budgeted cost for Period 3?

Give your answer in the nearest whole number.

Correct Answer: 431000

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44

An organisation produces and sells a single product. The organisation's management accountant has reported the following information for the most recent period.

Sales volume	200,000 units
Selling price per unit	\$24
Variable cost per unit	\$18
Contribution to sales ratio	25%
Fixed cost	\$400,000

Which TWO of the following statements are valid? (Choose two.)

- A. If the contribution to sales ratio changed to 30%, the breakeven point would become higher.
- B. If the fixed cost changed to \$445,000, the breakeven point would not change.
- C. If the sales volume changed to 220,000 units, the breakeven point would not change.
- D. If the selling price changed to \$22 per unit, the breakeven point would become lower.
- E. If the variable cost changed to \$16 per unit, the breakeven point would become lower.

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 45 Which THREE of the following are included in the Global Management Accounting Principles?

(Choose three.)

- A. Accountability
- B. Influence
- C. Value
- D. Professional behaviour
- E. Relevance
- F. Integrity



Correct Answer: BCE

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples/about-the-principles.html#?tab-1=3>

QUESTION 46 A sales manager has analysed a sample of 350 sales transactions from the latest period. The manager wishes to investigate:

- how many customers made their purchase online using the internet and how many purchased by telephone.
- how many were new customers and how many were placing repeat orders.

The following table shows the results of the analysis.

	Online	Telephone	Total
New customer	210	25	235
Repeat order	40	75	115
Total customers	250	100	350

If the pattern of sales occurs next period, the probability of a particular sale being a repeat order placed online is closest to:

- A. 0.11
- B. 0.40
- C. 0.16
- D. 0.35

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 47

An organisation's management report contains the following data:

	Division A \$000	Division B \$000	Division C \$000	Division D \$000
Sales revenue	150	200	240	100
Direct cost	80	90	150	50
Indirect cost (excluding interest and tax)	40	70	30	20
Capital employed	120	250	250	200

Which division has the highest operating margin percentage?

- A. Division A
- B. Division B
- C. Division C
- D. Division D



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 48

The possible returns and associated probabilities of two independent projects are as follows:

	Return \$	Probability
Project 1	10,000 loss	0.1
	20,000 gain	0.5
	30,000 gain	0.4
Project 2	15,000 gain	0.2
	20,000 gain	0.7
	35,000 gain	0.1

It has been decided that both projects are to be launched.

Which TWO of the following statements are correct? (Choose two.)

- A. The expected value of the total return is \$41,500 gain.
- B. The probability of the total return being a loss is 0.10.
- C. The probability of making a total return of exactly \$5,000 gain is 0.02.
- D. The probability of the total return being a gain is less than 1.00.
- E. The expected value of the total return is \$40,000 gain.

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

The forecast costs per unit for a new product are as follows:

	\$
Direct (variable) material	15
Direct (variable) labour	12
Fixed production overhead	6

The company uses marginal cost plus pricing and all products are required to achieve a 40% margin.

What would be the selling price per unit?

- A. \$37.80
- B. \$46.20
- C. \$45.00
- D. \$55.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 50

A company produces a single product for which the following cost data are available.

	\$ per unit
Direct material	3
Direct labour	4
Production overhead	2
Selling and distribution overhead	2

Analysis by the management accountant has shown that 100% of direct material cost and 50% of direct labour cost are variable costs. 50% of production overhead and 100% of selling and distribution overhead are variable costs.

What is the marginal cost per unit?

- A. \$6
- B. \$7
- C. \$8
- D. \$9

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 51

A company which manufactures and sells one product has fixed costs of \$80,000 per period. The selling price per unit of \$25 generates a contribution/sales ratio of 40%.

How many units would need to be sold in a period to earn a profit of \$10,000?

- A. 9,000
- B. 8,000
- C. 36,000
- D. 32,000

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 52 Which of the following statements regarding variances is valid?

- A. Using higher quality material than standard could explain an adverse labour efficiency variance.
- B. Improved maintenance of production machinery could explain an adverse material usage variance.
- C. An adverse labour rate variance could explain a favourable labour efficiency variance.
- D. Poor supervision could explain a favourable labour rate variance.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://accounting-simplified.com/management/variance-analysis/labor/rate.html>

QUESTION 53

FILL BLANK

The following data are available for a delivery company. The table shows the number of tonnes delivered (x) and the associated distribution cost (y) in recent periods.

Period	Tonnes delivered (x) 000s	Distribution cost (y) \$000
1	14.5	465
2	17.0	529
3	13.5	444
4	12.5	417
5	17.5	542
	75.0	2,397

Further analysis of this data has determined the following:

$$\sum xy = 36,427 \quad \sum x^2 = 1,144$$

Using least squares regression analysis, calculate the variable cost per tonne delivered. Give your answer to the nearest cent.

Correct Answer: -128.10

Section: (none)

Explanation

Explanation/Reference:

QUESTION 54

FILL BLANK

A company uses full cost pricing. The unit costs for product Z are given below.

	\$ per unit
Direct materials	12.00
Direct labour	5.00
Production overhead	6.00
Selling and distribution overhead	5.00
Administration overhead	2.00

What price per unit should be charged in order to achieve a profit margin of 20%?

Give your answer to the nearest cent.

Correct Answer: \$25

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

A company has two production departments and two service departments (Maintenance and Stores). The overhead costs of each of the departments are as follows.

Production Dept. 1	Production Dept. 2	Maintenance	Stores
\$65,000	\$60,000	\$4,700	\$5,800

The following equations represent the reapportionment of each of the service department overheads to the other.

$$M = 4,700 + 0.1S$$

$$S = 5,800 + 0.2M$$

Where M = total Maintenance overhead after reapportionment from Stores

S = total Stores overhead after reapportionment from Maintenance

60% of the total Maintenance overhead and 50% of the total Stores overhead are to be apportioned to Production Department 1.

The total production overhead for Production Department 1 after reapportionment of the service departments' overhead costs is closest to:

- A. \$71,672
- B. \$75,500
- C. \$70,720
- D. \$71,821

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 56 Which THREE of the following are parts of the master budget?

(Choose three.)

- A. Finished goods inventory budget.
- B. Budgeted statement of profit or loss.
- C. Cash flow budget.
- D. Sales budget.
- E. Administration overhead budget.
- F. Budgeted statement of financial position.

Correct Answer: BCF

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acowtancy.com/textbook/acca-ma/d2-budget-preparation/master-budgets/notes>

QUESTION 57

FILL BLANK

A company has three production departments X, Y and Z, and one service department.

The service department's overhead has been apportioned to the production departments in the ratio 3:2:5. As a result of this apportionment, \$2,070 was given to Department Y.

What is the amount of service department overhead that would have been apportioned to Department Z? Give your answer to the nearest dollar.

Correct Answer: \$5,175

Section: (none)

Explanation

Explanation/Reference:

QUESTION 58 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? (Choose three.)

- 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.

Correct Answer: ADE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 59 A company's policy is to hold closing inventory each month equal to 10% of the next month's budgeted sales volume. The budgeted sales volumes of product Q for months 1 and 2 are 1,660 units and 2,300 units respectively.

The production budget for product Q for month 1 is:

- A. 1,596 units
- B. 1,494 units
- C. 1,724 units
- D. 1,890 units

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

In order for the information in a management accounting report to be authoritative its contents must be:

- A. trusted and from reliable sources.
- B. complete and reported in a timely manner.
- C. complete and relevant.
- D. both financial and non-financial.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

