Mock Examination : ACCA Paper F2
Management Accounting

Session : December 2012

Set by : Mr Ben Lee

Your Lecturer
☑ Mr Ben Lee
☑ Mr Edgar Wong

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____________________________________

Your Contact Number : ____________________________

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Question 1

An organization’s stock records for last month show the following transactions in respect of one item:

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipts (units)</th>
<th>Issues (units)</th>
<th>Stock (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>300</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>5th</td>
<td>100</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>13th</td>
<td>600</td>
<td></td>
<td>800</td>
</tr>
<tr>
<td>20th</td>
<td>300</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>28th</td>
<td>200</td>
<td></td>
<td>300</td>
</tr>
</tbody>
</table>

The opening stock was valued at a total cost of $9,300 and all receipts on the 13th were purchased at a cost of $33 per unit.

The organization uses the weighted average method of valuation and calculates a new weighted average after each stores receipt.

What was the total value of the closing stock?
A $9,500  
B $9,700  
C $9,750  
D $9,900

Question 2

Which of the following could be true with regards to the management information system (MIS)?

An MIS is
(i) A database system  
(ii) Used for planning, directing and controlling activities  
(iii) A hierarchy of information within an organization

A (i) and (ii) only  
B (i) and (iii) only  
C (ii) and (iii) only  
D (i), (ii) and (iii) only
Question 3

A company manufactures two products, X and Y, in a factory divided into two production cost centres, Primary and Finishing. The following budgeted data are available:

<table>
<thead>
<tr>
<th>Cost Centre</th>
<th>Primary</th>
<th>Finishing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated and apportioned fixed overhead costs</td>
<td>$96,000</td>
<td>$82,500</td>
</tr>
<tr>
<td>Direct labour minutes per unit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- product X</td>
<td>36</td>
<td>25</td>
</tr>
<tr>
<td>- product Y</td>
<td>48</td>
<td>35</td>
</tr>
</tbody>
</table>

Budgeted production is 6,000 units of product X and 7,500 units of product Y. Fixed overhead costs are to be absorbed on a direct labour hour basis.

What is the budgeted fixed overhead cost per unit for product Y?
A $11
B $12
C $14
D $15

Question 4

The overhead absorption rate for product T is $4 per machine hour. Each unit of T requires 3 machine hours. Inventories of product T last period were:

- Opening inventory: 2,400 units
- Closing inventory: 2,700 units

Compared with the marginal costing profit for the period, the absorption costing profit for product T will be:
A $1,200 higher
B $3,600 higher
C $1,200 lower
D $3,600 lower
Question 5

A factory consists of two production cost centres (P and Q) and two service cost centres (X and Y). The total allocated and apportioned overhead for each is as follows:

<table>
<thead>
<tr>
<th></th>
<th>P</th>
<th>Q</th>
<th>X</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhead</td>
<td>$95,000</td>
<td>$82,000</td>
<td>$46,000</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

It has been estimated that each service cost centre does work for the other cost centres in the following proportions:

<table>
<thead>
<tr>
<th>Percentage of service cost centre X to</th>
<th>P</th>
<th>Q</th>
<th>X</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of service cost centre Y to</td>
<td>30</td>
<td>60</td>
<td>10</td>
<td>-</td>
</tr>
</tbody>
</table>

After the reapportionment of service cost centre costs has been carried out using a method that fully recognises the reciprocal service arrangements in the factory, what is the total overhead for production cost centre P?

A $122,400
B $124,716
C $126,000
D $127,000

Question 6

A company operates a job costing system. Job number 605 requires $300 of direct materials and $400 of direct labour. Direct labour is paid at the rate of $8 per hour. Production overheads are absorbed at a rate of $26 per direct labour hour and non-production overheads are absorbed at a rate of 120% of prime cost.

What is the total cost of job number 605?

A $2,000
B $2,400
C $2,840
D $4,400
**Question 7**

ABC Company is considering two investments both of which cost $10,000. The cash flows are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Project A</th>
<th>Project B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$6,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>2</td>
<td>4,000</td>
<td>3,000</td>
</tr>
<tr>
<td>3</td>
<td>3,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Based on the payback method, which of the two projects should be chosen?

A. Project A which has a payback period of 2.0 years.
B. Project A which has a payback period of 2.25 years.
C. Project B which has a payback period of 2.0 years.
D. Project B which has a payback period of 2.25 years.

**Question 8**

Which of the following correlation coefficients indicates the weakest relationship between two variables?

A. + 1.0
B. + 0.4
C. - 0.6
D. -1.0

**Question 9**

Clayton Corporation, which adds materials at the beginning of production, uses a weighted-average process-costing system. Consider the data that follow.

<table>
<thead>
<tr>
<th></th>
<th>Number of Units</th>
<th>Cost of Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning work in process</td>
<td>30,000</td>
<td>$22,200</td>
</tr>
<tr>
<td>Started in May</td>
<td>80,000</td>
<td>72,400</td>
</tr>
<tr>
<td>Production completed</td>
<td>85,000</td>
<td></td>
</tr>
<tr>
<td>Ending work in process</td>
<td>25,000</td>
<td></td>
</tr>
</tbody>
</table>

The company’s cost per equivalent unit for materials is:

A. $0.86
B. $0.90
C. $1.10
D. $1.18
Question 10

Data relating to a particular stores item as follows:

- Average daily usage: 400 units
- Maximum daily usage: 520 units
- Minimum daily usage: 180 units
- Lead time for replenishment of inventory: 10 to 15 days
- Reorder quantity: 8,000 units

What is the reorder level (in units) which avoids stock-out?

A  5,000
B  6,000
C  7,800
D  8,000

Question 11

Which of the following would normally be carried out by higher level management?

1. Day to day planning and control
2. Defining the objectives of the business
3. Making strategic decisions

A  2 and 3
B  1, 2 and 3
C  1 and 3
D  1 and 2
Question 12

A company has recorded its total cost for different levels of activity over the last five months as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Activity level (units)</th>
<th>Total coast ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>300</td>
<td>17,500</td>
</tr>
<tr>
<td>8</td>
<td>360</td>
<td>19,500</td>
</tr>
<tr>
<td>9</td>
<td>400</td>
<td>20,500</td>
</tr>
<tr>
<td>10</td>
<td>320</td>
<td>18,500</td>
</tr>
<tr>
<td>11</td>
<td>280</td>
<td>17,000</td>
</tr>
</tbody>
</table>

The equation for total cost is being calculated using regression analysis on the above data. The equation for total cost is of the general form ‘y = a + bx’ and the value of ‘b’ has been calculated correctly as $29.53.

What is the value of ‘a’ (to the nearest $) in the total cost equation?
A 7,338
B 8,796
C 10,430
D 10,995

Question 13

Which of the following would be considered to be an investment centre?
A Managers have control over marketing.
B Management has a sales team.
C Management has a sales team and is given a credit control function.
D Managers can purchase capital assets and are given a credit control function.

Question 14

There are 27,500 units of part number X35 on order with the suppliers and 16,250 units outstanding on existing customers’ orders.

If the free inventory is 13,000 units, what is the physical inventory?
A 1,750
B 3,250
C 24,250
D 29,250
Question 15

Which of the following is most likely to have a cost behaviour pattern described as: a fixed cost up to an activity level of 1000 units with a variable which decreased from 10c to 8c per unit at 2,000 units?
A Photocopying equipment rental with a fixed hire charge plus a reducing charge per unit.
B Wages payment which is fixed for a minimum output quantity after which bonus per unit is paid which reduces above a certain level to a smaller bonus per unit.
C Royalty payment per unit which reduces after 2,000 units
D Material cost of 12c per unit for the first 1,000 units followed by 10c per unit up to 2,000 units and 8c per unit thereafter

Question 16

The Pan American Bottling Co. is considering the purchase of a new machine that would increase the speed of bottling and save money. The net cost of this machine is $45,000. The annual cash flows have the following projections.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$15,000</td>
</tr>
<tr>
<td>2</td>
<td>$20,000</td>
</tr>
<tr>
<td>3</td>
<td>$25,000</td>
</tr>
<tr>
<td>4</td>
<td>$10,000</td>
</tr>
<tr>
<td>5</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

What is the net present value of selecting the new machine, assuming cost of capital of 10%?
A $11,883
B $13,883
C $15,883
D $17,883

Question 17

Which of the following costs at a sofa manufacturing company would be treated as a period cost under the variable costing method?
A. the cost of glue used to assemble the wood frame of each sofa produced
B. depreciation on sales vehicles
C. the salary of a factory manager
D. both B and C above
Question 18

An employee is paid on a piecework basis. The basis of the piecework scheme is as follows:

- 1 to 100 units - $0.20 per unit
- 101 to 200 units - $0.30 per unit
- 201 to 299 units - $0.40 per unit

With only the additional units qualifying for the higher rates. Rejected units do not qualify for payment.

During a particular day the employee produced 210 units of which 17 were rejected as faulty. What did the employee earn for their day’s work?

A $47.90  
B $54.00  
C $57.90  
D $63.00

Question 19

Consider the following statements:

(i) Job costing is only applicable to service organization  
(ii) Batch costing can be used when a number of identical products are manufactured together to go into finished stock

Statement (i)  
A False  
B False  
C True  
D True

Statement (ii)  
A False  
B True  
C False  
D True

Question 20

A company determines its order quantity for a raw material by using the Economic Order Quantity. What would be the effects on the EOQ and the total annual holding cost of a decrease in the cost of ordering a batch of raw material?

<table>
<thead>
<tr>
<th></th>
<th>EOQ</th>
<th>Total annual holding cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>B</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>C</td>
<td>Lower</td>
<td>Higher</td>
</tr>
<tr>
<td>D</td>
<td>Lower</td>
<td>Lower</td>
</tr>
</tbody>
</table>
**Question 21**

The following process account has been drawn up for the last month:

<table>
<thead>
<tr>
<th>Process account</th>
<th>Units</th>
<th>$</th>
<th>Units</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening WIP</td>
<td>250</td>
<td>3,000</td>
<td>Normal loss</td>
<td>225</td>
</tr>
<tr>
<td>Input:</td>
<td></td>
<td></td>
<td>Output</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>4,500</td>
<td>22,500</td>
<td>Abnormal Loss</td>
<td>275</td>
</tr>
<tr>
<td>Labour</td>
<td>37,500</td>
<td></td>
<td>Closing WIP</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>4,750</td>
<td></td>
<td>4,750</td>
<td></td>
</tr>
</tbody>
</table>

Work in progress has the following level of completion:

<table>
<thead>
<tr>
<th>Material</th>
<th>Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening WIP</td>
<td>100% 40%</td>
</tr>
<tr>
<td>Closing WIP</td>
<td>100% 30%</td>
</tr>
</tbody>
</table>

The company uses the FIFO method for valuing the output from the process and all losses occurred at the end of the process. What were the equivalent units for labour?

A 4,380 units  
B 4,270 units  
C 4,320 units  
D 4,420 units

**Question 22**

Stone Limited uses an absorption costing system, and manufactures a single product, the henge. Each unit of this product requires 12 hours to complete.  
For a particular accounting period, the normal level of activity was 30,000 units, although 34,500 units were produced. Fixed overheads are absorbed on a direct labour hour rate basis at a rate of $9 per direct labour hour.  
What was the under or over absorption of fixed overheads in the period?

A $40,500 under absorbed  
B $40,500 over absorbed  
C $486,000 over absorbed  
D $54,000 over absorbed
Question 23

Perth operates a process costing system. The process is expected to lose 25% of input and this can be sold for $8 per kg.

Inputs for the month were:
- Direct materials: 3,500 kg at a total cost of $52,500
- Direct labour: $9,625 for the period

There is no opening or closing work in progress in the period. Actual output was 2,800 kg. What is the valuation of the output?

A $44,100  
B $49,700  
C $58,800  
D $56,525

Question 24

The total cost of production for two levels of activity is as follows:

<table>
<thead>
<tr>
<th>Level</th>
<th>Production (units)</th>
<th>Total cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>3,000</td>
<td>6,750</td>
</tr>
<tr>
<td>Level 2</td>
<td>5,000</td>
<td>9,250</td>
</tr>
</tbody>
</table>

The variable production cost per unit and the total fixed production cost both remain constant in the range of activity shown. What is the variable production cost per unit?

A $0.80  
B $1.25  
C $1.85  
D $2.25

Question 25

A company uses process costing to value its output. The following was recorded for the period:

- Input materials: 2,000 units at $4.50 per unit
- Conversion costs: $13,340
- Normal loss: 5% of input valued at $3 per unit
- Actual loss: 150 units

There were no opening or closing stocks. What was the valuation of one unit of output to one decimal place?

A $11.8  
B $11.6  
C $11.2  
D $11.0
Question 26

Two products G and H are created from a joint process. G can be sold immediately after split-off. H requires further processing into HH before it is in a saleable condition. There are no opening inventories and no work-in-progress of products G, H or HH. The following data are available for last period:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total joint production costs</td>
<td>350,000</td>
</tr>
<tr>
<td>Further processing costs of product H</td>
<td>66,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product</th>
<th>Production Units</th>
<th>Closing inventory units</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>420,000</td>
<td>20,000</td>
</tr>
<tr>
<td>HH</td>
<td>330,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Using the physical unit method for apportioning joint production costs, what was the cost value of the closing inventory of product HH for last period?

A) $18,625  
B) $21,600  
C) $16,640  
D) $20,000

Question 27

Eccles Corporation uses an activity-based costing system with three activity cost pools. The company has provided the following data concerning its costs and its activity based costing system.

<table>
<thead>
<tr>
<th>Costs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries............</td>
</tr>
<tr>
<td>Depreciation..................</td>
</tr>
<tr>
<td>Utilities......................</td>
</tr>
<tr>
<td>Total..........................</td>
</tr>
</tbody>
</table>

Distribution of resource consumption:

<table>
<thead>
<tr>
<th>Activity Cost Pools</th>
<th>Assembly</th>
<th>Setting Up</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>15%</td>
<td>35%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Utilities</td>
<td>5%</td>
<td>55%</td>
<td>40%</td>
<td>100%</td>
</tr>
</tbody>
</table>

How much cost, in total, would be allocated to the Assembly activity cost pool

A. $144,000  
B. $96,000  
C. $36,000  
D. $105,000
Question 28

Assuming that direct labor is a variable cost, the primary difference between the absorption and variable costing is that:

A. variable costing treats only direct materials and direct labor as product cost while absorption costing treats direct materials, direct labor, and the variable portion of manufacturing overhead as product costs

B. variable costing treats direct materials, direct labor, the variable portion of manufacturing overhead, and an allocated portion of fixed manufacturing overhead as product costs while absorption costing treats only direct materials, direct labor, and the variable portion of manufacturing overhead as product costs

C. variable costing treats only direct materials, direct labor, the variable portion of manufacturing overhead, and the variable portion of selling and administrative expenses as product cost while absorption costing treats direct materials, direct labor, the variable portion of manufacturing overhead, and an allocated portion of fixed manufacturing overhead as product costs

D. variable costing treats only direct materials, direct labor, and the variable portion of manufacturing overhead as product costs while absorption costing treats direct materials, direct labor, the variable portion of manufacturing overhead, and an allocated portion of fixed manufacturing overhead as product costs

( )

Question 29

Silver Company produces a single product. Last year, the company's variable production costs totaled $7,500 and its fixed manufacturing overhead costs totaled $4,500. The company produced 3,000 units during the year and sold 2,400 units. There were no units in the beginning inventory. Which of the following statements is true?

A. Under variable costing, the units in the ending inventory will be costed at $4 each.

B. The net operating income under absorption costing for the year will be $900 lower than the net operating income under variable costing.

C. The ending inventory under variable costing will be $900 lower than the ending inventory under absorption costing.

D. Under absorption costing, the units in ending inventory will be costed at $2.50 each.

( )
Question 30

Which method provides more confidence, the payback method or the net present value method?
A Payback because it provides a good timetable.
B Payback because it tells you when you break even.
C Net present value because it considers all inflows and outflows and the time value of money.
D Net present value because it does not need to use cost of capital.

Question 31

A manufacturing company has four types of cost (identification as T1, T2, T3 and T4). The total cost of each type at two different production levels is:

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Total cost for 125 units</th>
<th>Total cost for 180 units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>T1</td>
<td>1,000</td>
<td>1,260</td>
</tr>
<tr>
<td>T2</td>
<td>1,750</td>
<td>2,520</td>
</tr>
<tr>
<td>T3</td>
<td>2,475</td>
<td>2,826</td>
</tr>
<tr>
<td>T4</td>
<td>3,225</td>
<td>4,644</td>
</tr>
</tbody>
</table>

Which two cost types would be classified as being semi-variable?
A T1 and T3
B T1 and T4
C T2 and T3
D T2 and T4

Question 32

Which of the following would depict the logical order for preparing (1) a production budget, (2) a cash budget, (3) a sales budget, and (4) a direct-labor budget?

a) 1-3-4-2
b) 2-3-1-4
c) 3-1-4-2
d) 3-1-2-4
Use the following information to solve questions 33 - 34

Jackstar has a standard variable overhead rate of $4 per machine hour, and each unit produced has a standard time allowed of three hours. The company’s budget was based on 50,000 units. Actual results for the year follow.

- Actual units produced: 45,000
- Actual machine hours worked: 120,000
- Actual variable overhead incurred: $500,000

Question 33
Jackstar’s variable-overhead spending variance:
A $40,000 adverse
B $60,000 favorable
C $20,000 adverse
D $50,000 favorable

Question 34
Jackstar’s variable-overhead efficiency variance is:
A $40,000 adverse
B $60,000 favorable
C $20,000 adverse
D $50,000 favorable

Question 35
A process has a normal loss of 10% and budgeted output is 4,500 litres for the period. Opening inventory of raw material is 600 litres and is expected to increase by 20% by the end of the period. The material usage budget is:
A 4,500 litres
B 5,000 litres
C 5,133 litres
D 5,120 litres
Question 36

A company makes three products X, Y and Z. The following information is available:

<table>
<thead>
<tr>
<th></th>
<th>X</th>
<th>Y</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted production (units)</td>
<td>200</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>Machine hours per unit</td>
<td>5</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Variable overheads</td>
<td>$2.30 per machine hour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed overheads</td>
<td>$0.75 per machine hour</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The overhead budget is:
A $10,980
B $12,200
C $12,000
D $11,590

Question 37

Atlanta Inc, which uses the high-low method to analyze cost behavior, has determined that machine hours best explain the company’s utilities cost. The company’s relevant range of activity varies from a low of 600 machine hours to a high of 1,100 machine hours, with the following data being available for the first six months of the year:

<table>
<thead>
<tr>
<th>Month</th>
<th>Utilities</th>
<th>Machine Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$8,700</td>
<td>800</td>
</tr>
<tr>
<td>February</td>
<td>8,360</td>
<td>720</td>
</tr>
<tr>
<td>March</td>
<td>8,950</td>
<td>810</td>
</tr>
<tr>
<td>April</td>
<td>9,360</td>
<td>920</td>
</tr>
<tr>
<td>May</td>
<td>9,625</td>
<td>950</td>
</tr>
<tr>
<td>June</td>
<td>9,150</td>
<td>900</td>
</tr>
</tbody>
</table>

Using the high-low method, the utilities cost associated with 980 machine hours would be:
A $9,510
B $9,660
C $9,700
D $9,790
Question 38

Consider the following information

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual direct labor hours</td>
<td>34,500</td>
</tr>
<tr>
<td>Standard direct labor hours</td>
<td>35,500</td>
</tr>
<tr>
<td>Total-actual direct labor cost</td>
<td>$113,850</td>
</tr>
<tr>
<td>Direct-labor efficiency variance, favorable</td>
<td>$3,200</td>
</tr>
</tbody>
</table>

The direct labor rate variance is:
A $3,550U
B $3,450U
C $3,450F
D $3,550F

Question 39

Thomas recently completed 24,000 units of a product that was expected to consume five kg of direct material per finished unit. The standard price of the direct material was $6 per kg. If the firm purchased and consumed 110,000 kg in manufacturing (cost=$605,000), the direct-materials quantity variance would be figured as:

A $55,000 Favourable
B $60,000 Favourable
C $115,000 Favourable
D $60,000 Unfavourable

Question 40

The following statements relates to business objectives:
(i) The short term objectives of an organization are described in very general terms
(ii) Corporate objectives relates to the organization as a whole
(iii) It is possible for a division of an organization to have its own specific objective

Which of the following are correct?
A (i) and (ii) only
B (i) and (iii) only
C (ii) and (iii) only
D (i), (ii) and (iii) only


Question 41

The following information relates to prices and units over two different periods:

<table>
<thead>
<tr>
<th></th>
<th>Prices</th>
<th>Unit sold</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$/ unit</td>
<td></td>
</tr>
<tr>
<td>Time 0</td>
<td>Product A</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Product B</td>
<td>50</td>
</tr>
<tr>
<td>Time 1</td>
<td>Product A</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Product B</td>
<td>45</td>
</tr>
</tbody>
</table>

What would be the Laspeyre price index?

A  93.8
B  95.5
C  101.9
D  103.6

Question 42

An investment has the following cash inflows and cash outflows:

<table>
<thead>
<tr>
<th>Time</th>
<th>Cashflow per annum ($,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>(20,000)</td>
</tr>
<tr>
<td>1-4</td>
<td>3,000</td>
</tr>
<tr>
<td>5-8</td>
<td>7,000</td>
</tr>
<tr>
<td>10</td>
<td>(10,000)</td>
</tr>
</tbody>
</table>

What is the net present value of the investment as a discount rate of 8%?

A  ($2416)
B  $7046
C  $6981
D  $2351

Question 43

If an investment has an Net present value = 0, then

A  this means the investor earned no money
B  this means the investor earned more than the required rate of return (i.e., cost of capital)
C  this means the investor earned less than the required rate of return (i.e., cost of capital)
D  this means the investor earned a return just equal to the required rate of return
Question 44

Adams Sporting Goods buys and sells bicycles. The following data were taken from the most recent quarterly sales forecast:

<table>
<thead>
<tr>
<th></th>
<th>Expected Sales</th>
<th>End-of-month Target inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>1,400 units</td>
<td>315 units</td>
</tr>
<tr>
<td>May</td>
<td>1,575 units</td>
<td>412 units</td>
</tr>
<tr>
<td>June</td>
<td>1,650 units</td>
<td>425 units</td>
</tr>
</tbody>
</table>

On the basis of the information presented, how many bicycles should the company purchase in May?
A 1,478  
B 1,562  
C 1,575  
D 1,672  

Question 45

A direct labor efficiency variance cannot be caused by:
a) inexperienced employees  
b) poor quality raw materials  
c) producing fewer finished units than originally planned.  
d) an out-of-date labor time standard

Question 46

The following information relates to a process for last period.

Opening work-in-progress:
- Units: 10,000
- Conversion cost was 60% completed

Units completed: 28,000
Closing work in progress (Units): 8,000
Conversion cost added: $465,760

The closing work in progress was 80% complete as regards conversion costs, conversion takes place evenly throughout the process, and there were no losses.

What was the conversion cost per unit for the period using FIFO method of valuation?
Ans: _______
Question 47

A company operates a variety of items to customer specification. 11 direct operatives are employed working a basic 38 hours week at a rate of $6 per hour. Overtime, paid at a premium of 35% over basic rate, is worked as necessary to meet general customer demand.
What would be the total amount charged as direct labour in a week when each operative worked 5 hours overtime?  

Ans : ____

Question 48

A company charges idle time (at basic rate) and overtime premium costs to production overheads. During last week 11 direct operatives worked a total of 510 hours including 47 hours recorded as idle time. The basic rate of pay is $9 per hour for a 38 hours week and overtime premium is paid at a premium of 50% over the basic rate.
What is the total amount to be charged to the production overhead account for last week as an indirect cost of the direct operatives?  

Ans : ____

Question 49

A company carry out work to customer order. A job costing system is used to collect production cost on each customer order. Non production overhead are applied to each job at 15% of total production cost.
The following information relates to job ABC which has been completed by the company.

<table>
<thead>
<tr>
<th>Department</th>
<th>X</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material used ( $ )</td>
<td>6,700</td>
<td>1,260</td>
</tr>
<tr>
<td>Direct labour hour worked</td>
<td>246</td>
<td>98</td>
</tr>
<tr>
<td>Direct labour rate $ per hour</td>
<td>8.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Production overhead $ per direct labour hour</td>
<td>12.00</td>
<td>12.00</td>
</tr>
</tbody>
</table>

What is the total production cost of job ABC?  

Ans : ____

Question 50

A company has established the following information regarding overheads for the coming month in which 5,000 units of production are planned:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed overhead</td>
<td>$180,000</td>
</tr>
<tr>
<td>Labour hours</td>
<td>25,000 hours</td>
</tr>
<tr>
<td>Machine hours</td>
<td>10,000 hours</td>
</tr>
</tbody>
</table>

Actual fixed overhead for the last month were $160,000. The company produces many different products using highly labour intensive manufacturing processes and absorbs overhead in the most appropriate basis.
What will be the pre-determined overhead absorption rate (to 2 decimal places)?  

Ans : ______