CIMA BA2 - Fundamentals of Management Accounting

1. CORRECT TEXT

Refer to the exhibit.

Data:	Opening inventory	Closing inventory
Product 'Smitten'	9000 units	11000 units
Material 'Z'	1000 kgs	1500 kgs

Each unit of product `Smitten' uses 5 kgs of material 'Z'.

The budgeted details for March are as follows:

It is anticipated that sales of product `Smitten' in March will be 20000 units.

The amount of material 'Z' that needs to be purchased in March is:

A. 110491 kgs

Answer(s): A

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2. A company's cash budgetary plans show that there will be surplus cash for three months of the forthcoming year.

Which THREE of the following would be appropriate management actions in this situation?

- [ ] A. Offer a longer credit period to new customers to boost sales
- [ ] B. Purchase new non-current assets to increase efficiency
- [ ] C. Reduce the finished goods inventory to save storage costs
- [ ] D. Pay suppliers early to obtain prompt payment discounts
- [ ] E. Repay a long-term loan to reduce interest costs
- [ ] F. Invest in a short-term deposit account

Answer(s): A D F

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3. Refer to the Exhibit.

Input Materials	12,000 units at a cost of $23,580
Direct Labour	$10,000
Production overheads	200% of direct labour cost
Output to finished goods	11,800 units

PD manufactures a product in a process operation. Normal loss is 5% of input and occurs at the end of the process. The following data is available for the month of August:
Scrapped units have no value.
There was no opening or closing work in progress for August.
What is the value of the abnormal gain in August?

A. Nil

B. $1,880

C. $1,816

D. $893

Answer(s): B

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4. In an integrated cost and financial accounting system, the accounting entries for the payment of net wages to indirect production workers would be:

A. Debit: Bank accountCredit: Wages control account

B. Debit: Work in progress control accountCredit: Bank account

C. Debit: Wages control accountCredit: Bank account

D. Debit: Production overhead control accountCredit: Bank account

Answer(s): C

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5. A company uses an integrated accounting system.
The accounting entries for the sale of goods on credit would bE.

A. Debit: Receivables control accountCredit: Sales account

B. Debit: Sales accountCredit: Finished Goods Control account

C. Debit: Receivables control accountCredit: Cost of sales account

D. Debit: Sales accountCredit: Receivables control account

Answer(s): A

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6. The materials price variance will be adverse when:

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(s): B

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7. CORRECT TEXT
CVP Limited manufactures a single product with a selling price of $25.60. Fixed costs are $122,880 per month and the product has a profit/volume ratio of 40%.
In a month when actual sales were $358,400, CVP's margin of safety in units was

A. 1996

Answer(s): A

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8. A company operates an absorption costing system. Overheads are absorbed using a pre-determined absorption rate using labour hours. In the period actual labour hours were 10,600, 400 hours below budget. Actual overheads for the period were £234,680 and there was an under-

absorption of overheads of £1,480.
What was the budgeted level of overheads?

A. £242,000

B. £233,200

C. £245,072

D. £224,720

Answer(s): A

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9. The net present value (NPV) of an investment is as follows.
NPV at 14% = $6,320
NPV at 18% = ($4,600) negative
The internal rate of return (IRR) of the investment is closest to

A. 14.6%

B. 16.0%

C. 16.3%

D. 20.3%

Answer(s): C

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10. Refer to the Exhibit.

Standard costs:	£ per unit
Direct labour - 1.5 hours at £8 per hour	£12 per unit
Variable production overhead	50% of direct labour cost

AM Ltd. makes and sells a single product for which the standard cost information is as follows: Budgeted production for the period is 30000 units. The actual results for the period were as follows:

Results Data:	Quantity
Production	28000 units
Direct labour paid 43400 hours	£499100
Variable production overheads	£160000

What is the variable overhead expenditure variance?

A. 13,161 adverse

B. 13,161 favourable

C. 13,600 adverse

D. 13,600 favourable

Answer(s): D

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11. An increase in the selling price per unit, will cause the point at which the line plotted on a profit/volume (PV) graph intersects the horizontal axis to:

A. Move to the left

B. Move to the right

C. Double

D. Stay where it is

Answer(s): A

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12. A company currently allows a discount of 20% to customers who pay at the time of purchase. If 30% of customers pay immediately, the extra sales needed in July to increase the cash receipts in that month by £6,000 are:

A. £7500

B. £20000

C. £25000

D. £30000

Answer(s): C

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13. Refer to the exhibit.

A	Dr	Finished goods control	164,000	Cr	Production overhead control	164,000
	Dr	Income statement	14,000	Cr	Production overhead control	14,000
B	Dr	Work in progress control	150,000	Cr	Production overhead control	150,000
	Dr	Production overhead control	14,000	Cr	Income statement	14,000
C	Dr	Work in progress control	164,000	Cr	Production overhead control	164,000
	Dr	Production overhead control	14,000	Cr	Income statement	14,000
D	Dr	Finished goods control	150,000	Cr	Production overhead control	150,000
	Dr	Income statement	14,000	Cr	Production overhead control	14,000

WS operates an integrated accounting system. Transactions relating to production overheads for the month of May were as follows:
Indirect Material costs were $15,000
Indirect Labour Costs were $45,000
Production overheads of $58,000 were incurred during the period.
Depreciation of factory machinery amounted to $32,000.
Overheads costs absorbed by production using a standard absorption rate was $164,000 for the period.
What are the correct entries to record the absorption of production overheads for the period?
The correct set of entries to record the absorption of production overheads for the period is:

A. A

B. B

C. C

D. D

Answer(s): C

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14. Refer to the exhibit.

Budgeted standard hours	60,000
Variable overhead budget	$1.50 per hour

SP, a manufacturing company, uses a standard costing system. The standard variable production overhead cost is based on the following budgeted figures for the year:
During the month of September, 5,300 actual hours were worked and 5,600 standard hours of output were produced. Total variable production overhead costs in September were $8,600.
What was the total variable production overhead variance in September?

A. $200 adverse

B. $650 adverse

C. $650 favourable

D. $200 favourable

Answer(s): A

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15. PQR Manufacturing Ltd. has £3,000,000 of fixed costs for the forthcoming period. The company produces a single product 'X', which has a selling price of £75 per unit and total cost of £50.
75% of the total cost represents variable costs.
What are the break-even units?

A. 80,000

B. 240,000

C. 120,000

D. 40,000

Answer(s): A

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16. Eton Ltd. operates a manufacturing process that produces product A. Information for this process last month is as follows:
(a) Opening work in progress - 2,500 kg valued at £2,000 for direct material and £1,500 for labour and overheads.
(b) Materials input - 25,000 kg at £2.10 per kg.
(c) Labour - £10,000
(d) Overheads - £5,000
(e) Output during the month - 20,000 kg.
(f) There were 7,500 units of closing work in progress which was complete as to materials and 30% complete as to conversion.
(g) Normal loss for the month was 3% of input and all losses have a scrap value of £1 per kg.
What was the average cost per kg of finished output during the month?

A. £1.73

B. £2.72

C. £2.78

D. £2.80

Answer(s): C

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17. Refer to the Exhibit.

Date:	Quantity (litres)	Value (£)
30 November	200	500

Fabex Ltd manufactures a household detergent called "Clear". The standard data for one of the chemicals used in production (chemical XTC) is as follows:
(a) 50 litres used per 100 litres of 'Clear' produced
(b) Budgeted monthly production is 1000 litres of 'Clear'.
The closing inventory of chemical XTC for November valued at standard price was as follows:
Actual results for the period during December were as follows:
(a) 500 litres of chemical XTC was purchased for £1300.
(b) 550 litres of chemical XTC was used.
(c) 900 litres of 'Clear' was produced.
It is company policy to extract the material price variance at the time of purchase.
What is the total direct material price variance (to the nearest whole number)?

A. £50 adverse

B. £50 favourable

C. £55 adverse

D. £55 favourable

Answer(s): A

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18. In the process account, the accounting treatment of the value of the abnormal gain is:

A. Credit Process account Debit Abnormal Gain account

B. Debit Process account Credit Abnormal Gain account

C. Credit Process account Debit Normal Loss account

D. Debit Process account Credit Normal Loss account

Answer(s): B

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19. CORRECT TEXT
Each unit of product GM requires 4 labour hours to be produced. 25% of the units will be completed during overtime hours.
Sales of 24,000 units are planned and finished goods inventory is budgeted to rise by 2,000 units.
If the wage rate is £6 per hour and the overtime premium is 50%, what is the budgeted labour cost?

A. £702008

Answer(s): A

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20. Refer to the exhibit.

Direct Materials	2,800 Kg @ $12 per kg
Direct Labour	1,800 hours @ $5 per hour

T operates a process costing system. Data is available for Process A for the month of July.
Inputs for the month:
Normal losses are 15% of input and can be sold for $6 per kg. Actual output was 2,600 kg. There is no opening or closing work in progress for the period.
What is the value of the output from the process in the month?

A. $49,291

B. $46,538

C. $43,784

D. $45,120

Answer(s): C
