DTEMS PAST PAPERS
MANAGEMENT STUDIES

SIR AURTHUR LEWIS COMMUNITY COLLEGE
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION	:	May 2001, Final Examination
TUTORS	:	Mrs. F. Beerom-Henry, Mr. J Moore
PROGRAMME TITLE	:	Business Studies – Diploma
PROGRAMME CODE	:	BUS 351
COURSE TITLE	:	Introduction to Management Accounting – Paper I
COURSE CODE	:	IMA 321
CLASS (ES)	:	Year 2
DATE	:	Thursday 17th May, 2001
TIME	:	9.00 – 10.15 a.m.
DURATION	:	1 hr 15 mins
ROOM (S)	:	Lecture Theatre
INVAILILATOR (S)	:	Mrs F Beerom-Henry, Mr. N Goolaman

#A11

INSTRUCTIONS

1. **Forty (40)** multiple choice items are contained in this examination.
2. Choose the letter **a, b, c or d** that carries the best response and **shade** it on the answer sheet provided.
3. Borrowing or lending is **prohibited**.

GO TO NETX PAGE

MULTIPLE CHOICE

INSTRUCTION: Choose the letter **a, b, c or d** that carries the best response and **shade** it on the answer sheet provided.

1. All of the following are true **except**:

   a) financial accounting reports past results.
   b) cost accounting is used as a means of fixing a selling price.
   c) cost accounting depends entirely on historical information.
   d) management accounting is future oriented.

2. Which of the following statements is **true**?

   a) TVC varies inversely with changes in activity level.
   b) TVC varies positively with changes in activity level.
   c) AFC varies positively with changes in activity level.
   d) AFC varies inversely with changes in activity level.

3. All of the following are examples of fixed costs **except**:

   a) insurance b) depreciation (*declining balance*)
   c) rent d) salary

4. A certain commodity has a rate of demand which varies between 2,800 and 4,000 units per week. The reorder quantity is 16,000 units and the buffer stock level is 10,800 units. What is the level of safety stock?

   a) 1,200 units b) 2,800 units c) 4,000 units d) 10,800 units

5. The Valuation Department of a small firm of miners wishes to develop a method of predicting its total cost in a period. The following historic costs have been recorded at two activity levels:

Period	**No of Valuations (V)**	**Total Cost (TC in $)**
1	420	82,200
2	515	90,275

Using the high –low method, the total cost model for a period could be represented by:

   a) TC = $46,500 + 85V b) TC = $46,500 – 85V
   c) TC = $42,000 + 95V d) TC = $51,500 – 95V

Refer to the following data for questions 6 to 8.

A firm makes special windows to customers' orders and uses a job costing system. The data for the period are:

	Job #AA12	**Job #BB16**	**Job #CC17**
	$	**$**	**$**
Opening WIP	26,800	42,790	0
Material added in production	17,275	0	18,500
Labour for the period	14,500	3,500	24,600

Budgeted overheads for the period were $126,000.

6. What amount of overhead should be added to Job #CC17 for the period?

   a) $24,600 b) $65,157 c) $72,761 d) $126,000

7. Job #BB16 was completed and delivered during the period and the firm wishes to earn 33 1/3% profit on sales. What is the approximate selling price of Job #BB16?

a) $69,435 b) $75,523 c) $84,963 d) $138,870

8. What was the approximate value of closing WIP at the end of the period?

a) $85,575 b) $101,675 c) $147,965 d) $217,323

9. Which of the following would be classified as indirect labour?

a) Assembly line workers in a company manufacturing soft drinks.
b) Masons in a construction company.
c) A legal clerk in a firm of attorneys.
d) A stores assistant in a factory store.

10. A sunk cost is:

a) a cost committed to be spent in the current period.
b) a cost which is irrelevant for decision making.
c) a cost connected with oil exploration in Trinidad.
d) a cost unaffected by changes in the level of activity.

11. The process of cost apportionment is carried out so that:

a) cost may be controlled.
b) cost units gather overheads as they pass through cost centres.
c) whole units of cost can be charged to cost centres
d) common costs are shared among cost centres.

12. During 2000, Jamco company sales were $240,000, its fixed costs were $50,000 and its variable costs were $160,000. During that year 80,000 units were sold. The unit contribution margin for 2000 was:

a) $1.00 b) $2.00 c) $3.00 d) $4.00

13. The type of spoilage that occurs under efficient operating conditions and is ordinarily uncontrollable is called:

a) abnormal loss b) neutral loss
c) normal loss d) standard loss

14. Direct costs are those which:

a) are directly charged to a department.
b) can be directly traced to a unit of product.
c) are directly under the control of a manager.
d) are incurred whether or not the factory is operating.

15. An OAR using machine hours as the activity base:

a) is calculated by dividing actual overhead incurred by budgeted machine hours.
b) results in over-absorption of overhead.
c) is inferior to an OAR based on labour hours.
d) results in charging similar overhead to jobs with similar hours.

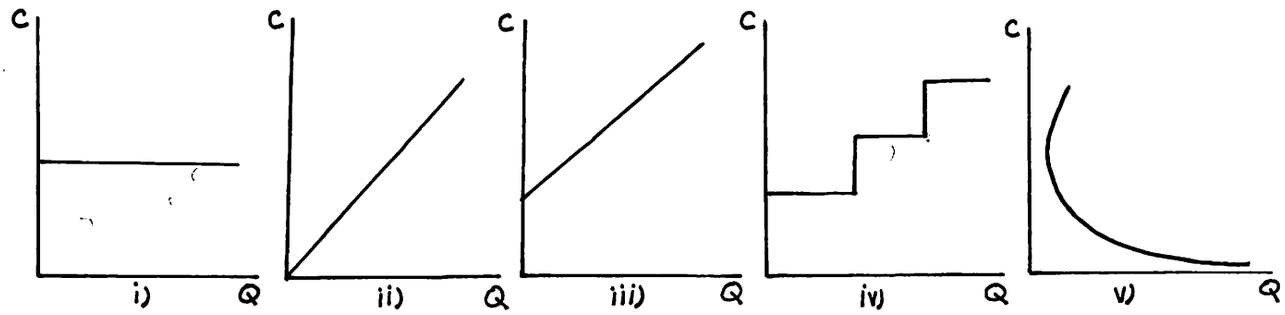
16. A cash budget:

a) shows the expected cash shortages or surpluses in the periods ahead.
b) is the authorization for the manager to spend the stated amount of cash.
c) always exactly equals the firm's cash balance.
d) cannot be prepared without authorization from the bank.

17. Depreciation is not included in cash budgets because:

a) it is not paid until the end of an asset's life.
b) it cannot be known accurately until the end of the asset's life.
c) it is not an actual cash flow.
d) the same amount is charged each year therefore it is cancelled out.

18. Which of the following diagrams represent average fixed cost and total mixed cost respectively? **(C – *Cost;* Q – *Quantity*)**



a) i) and iv)
b) v) and iii)
c) iv) and ii)
d) ii) and iii)

19. Over-absorbed overhead occurs when:

a) absorbed overhead exceeds actual overhead.
b) absorbed overhead exceeds budgeted overhead
c) actual overhead exceeds budgeted overhead.
d) budgeted overhead exceeds absorbed overhead.

20. A chemical process has a normal wastage of 10 percent of its input. In a period, 2,500 lbs of material were input and there was an abnormal loss of 75 lbs. What quantity of good production was achieved?

a) 2,175 lbs b) 2,250 lbs c) 2,325 lbs d) 2,475 lbs

21. A company applies overheads based on machine hours which were budgeted at 11,250 hrs with overheads of $258,750. Actual results were 10,980 hrs with overheads of $254,692. Overheads were:

a) $2,152 underapplied
b) $2,152 overapplied
c) $4,058 underapplied
d) $4,058 overapplied

22. In a period, 5,792 units were made with a standard labour allowance of 6.5 hrs per unit at $5.00 per hour. Actual wages were $6.00 per hour and there was an adverse efficiency variance of $36,000. How many labour hours were actually worked?

a) 30,448 hrs b) 31,648 hrs c) 43,648 hrs d) 44,848 hrs

23. When opening stock was 8,500 lbs and closing stock 6,750 lbs, a firm had a profit of $62,100 using marginal costing. Assuming that the fixed OAR was $3.00 per lb, what would be the firm's profit using absorption costing?

a) $41,850 b) $56,850 c) $67,350 d) $82,350

24. A standard hour is:

a) always equivalent to a clock hour.
b) any hour during which no idle time occurs.
c) the quantity of work achievable at standard performance in an hour.
d) an hour throughout which the same units are made.

Refer to the following data for questions 25 and 26.

Budgeted machine hours	25,000	
Actual machine hours	21,875	
Budgeted overheads		$350,000
Actual overheads		$350,000

25. What is the machine hour absorption rate as conventionally calculated?

a) $12.00 b) $14.00 c) $16.00 d) $18.00

26. What is the amount of overhead under/over absorbed?

a) NIL b) $43,750 over
c) $3,125 under d) $43,759 under

27. All of the following items may be used in costing a job **except**:

a) actual material cost
b) actual manufacturing cost
c) actual labour cost
d) applied manufacturing overhead

28. Prime cost includes:

a) cost of oil to lubricate machinery
b) carriage inwards
c) factory electricity
d) storekeeper's wages

29. A factory loss is:

a) credited in the manufacturing account and debited to the profit and loss account.
b) debited in the manufacturing account and credited to the profit and loss account.
b) debited in the manufacturing account and debited to the profit and loss account.
c) ignored in both the manufacturing and profit and loss accounts.

30. The profit and loss account of a manufacturing firm will **not** include depreciation charges for which of the following?

a) Delivery vehicles b) Office machinery
c) Factory machinery d) Warehouse

31. A business should value its stock at the lower of:

a) cost and replacement value.
b) net realizable value and replacement cost.
c) selling price and net realizable value.
d) cost and net realizable value.

32. Which of the following would be the most appropriate basis for applying rent expense to cost centres?

a) Number of employees per cost centre.
b) Floor area of the cost centre.
c) Revenue earned by each cost centre.
d) Space occupied machines in each cost centre.

33. A material passes through two processes (R and S) in the course of production. At the beginning of the period there were no opening stock of material in either process. During the period the cost of material input to process R was $1,600 and labour cost was $4,000. Overhead absorbed in process R during the period totalled $2,400. WIP at the end of the month was valued at $400. What was the value of material input to process S from process R during the month?

a) $1,200
b) $1,600
c) $7,600
d) $8,000

34. A principal budget factor is:

a) anything which acts as a constraint on the level of activity.
b) the biggest item of expenditure in the budget.
c) the required profit.
d) the amount by which current prices must be increased to take account of inflation.

35. The basis on which a sales budget is prepare is:

a) the expected sales volume.
b) the previous year's sales revenue.
c) the sales necessary to produce the forecast profit.
d) the previous year's sales revenue plus an addition for anticipated price increases.

36. A method of valuing stock which is **not** generally acceptable is:

a) cost
b) net realizable value
c) selling price
d) standard cost

37. The margin of safety shows the:

a) contribution as a percentage of selling price.
b) difference between breakeven point and planned sales.
c) profit for each dollar of sales.
d) revenue at which a business breaks even.

38. The marginal cost of a product is the:

a) cost of production.
b) cost of production plus selling price.
c) prime cost.
d) total of the variable costs.

(copy each)