

Specimen Exam 1

Exam Name: Management Information and Costing (F2)

Time Allowed: 2 hours

Pass Mark: 50%

This exam contains 2 sections:

Section A:

45 questions, each worth 2 marks

90 marks in total

Section B:

2 questions, each worth 5 marks

10 marks in total

Section A

Question 1

Torais, a local restaurant, wishes to improve its profitability. The restaurant manager has been reviewing national surveys carried out on trends in restaurant attendance and revenues.

Which TWO types of information sources could these surveys be classified as?

- A Internal
- B External
- C Primary
- D Secondary

Question 2

A sales representative earns a basic salary of \$10,000 per year, a guaranteed end-of-year bonus of \$5,000 and 5% commission on the value of sales.

Which cost classification is appropriate for the sales representative's earnings?

- A Direct cost
- B Product cost
- C Semi-variable cost
- D Prime cost

Question 3

At the end of its financial year, Tyler Co has the following materials held in inventory:

- (1) 100 toy cars which are complete but require packaging prior to being sold or dispatched
- (2) One tonne of plastic which will be moulded into various products

Which of the following is the CORRECT classification for the toy cars and the plastic?

- A Toy cars are finished goods and the plastic is raw material
- B Both the toy cars and the plastic are work in progress
- C Toy cars are work in progress and the plastic is raw material
- D Toy cars are finished goods and the plastic is work in progress

Question 4

Product X is manufactured by Vict Co. Direct materials cost \$6.10 per unit and prime costs total \$9.60 per unit of product. Production overheads are absorbed at a rate of \$13.40 per machine hour. Two units of Product X are manufactured per machine hour.

Using absorption costing, what is the total production cost per unit of Product X?

- A \$16.30
- B \$22.40
- C \$23.00
- D \$29.10

Question 5

Which of the following items would MOST LIKELY be treated as an indirect cost by a furniture manufacturer?

- A Fabric to cover the seat of a chair
- B Metal used for the legs of a chair
- C Glue to attach the fabric to the seat of a chair
- D Wood used to make the frame of a chair

Question 6

Which of the following statements concerning the recording and analysis of sales is/are TRUE?

- (1) The sales figure that should be taken from an invoice is net of both trade discount and sales tax
 - (2) Sales may be analysed by product, region or sales representative for management accounting purposes
- A 1 only
 - B 2 only
 - C Both 1 and 2
 - D Neither 1 nor 2

Question 7

Walker Co operates a piecework payment scheme. The staff receive \$0.60 for each unit produced. However, the company guarantees that every member of staff will receive at least \$45 per day.

Shown below is the number of units produced by worker A during a recent week:

Day	Monday	Tuesday	Wednesday	Thursday	Friday
Units Produced	90	70	75	60	90

Calculate the value of worker A's earnings for the week.

\$

Question 8

Flood Co makes a single product. The following data is available for the month of August 20X3:

Variable production cost	\$5 per unit
Sales price	\$11 per unit
Units produced	20,000
Units sold	18,000
Fixed costs	\$42,000

There was no opening inventory.

Using marginal costing, calculate the profit for August 20X3 (to the nearest \$'000).

\$,000

Question 9

Drive Co manufactures three models of electric cars.

Identify the data visualisation method which would be MOST suitable for displaying each information requirement.

		Line graph	Pie chart
1.	Percentage sales volume of each car model for the last 12 months		
2.	The general trend of electric car sales over the last 12 months		

Question 10

It contains data including employee name and address, bank details, taxation number, position in company, pay grade and holiday entitlement.

Which of the following is being described above?

- A Labour costing system
- B Timesheet system
- C Payroll system
- D Wages control account

Question 11

Which of the following statements defines cost classification?

- A The grouping of costs according to their common characteristics
- B The allocation of items of cost to cost centres
- C The sum of all costs incurred
- D The use by several companies of the same costing methods

Question 12

What is the charging of an overhead cost directly to a cost centre known as?

- A Overhead absorption
- B Overhead allocation
- C Overhead apportionment
- D Overhead assignment

Question 13

Which of the following is NORMALLY treated as a direct labour cost?

- A Controllable idle time
- B Uncontrollable idle time
- C Overtime premium due to a temporary backlog in production
- D Overtime premium at the specific request of a customer

Question 14

A management accountant wishes to present the following spreadsheet information in a chart:

	Direct cost	Production overheads	Non-production overheads	Total cost
	\$	\$	\$	\$
Factory 1	80	30	30	140
Factory 2	200	50	40	290
Factory 3	70	20	40	130

Which of the following would be **MOST** appropriate to present the information?

- A Scatter diagram
- B Line chart
- C Stacked (compound) bar chart
- D Pie chart

Question 15

Which of the following costs is an indirect production labour cost for a garden chair manufacturer?

- A Marketing manager's wages
- B Trainee accountant's wages
- C Factory supervisor's wages
- D Distribution driver's wages

Question 16

Which of the following is **MOST LIKELY** to be classified as a cost centre?

- A One of the hotels owned by a leisure company
- B The accountancy department in a business
- C The direct material cost of a product
- D The total depreciation expense of a business

Question 17

Wickham Co manufactures a single product which is sold for \$70.00 per unit. Unit costs are:

	\$/Unit
Variable production	29.50
Fixed production	21.00
Variable selling	4.80
Fixed selling	9.00

20,000 units of the product were manufactured in a period during which 19,700 units were sold.

Using marginal costing, calculate the total contribution made in the period.

\$

Question 18

A production worker is paid \$11.00 per hour for a basic 35-hour week. Overtime is paid at 40% over the basic rate. The operative worked for 38 hours in week 9. Income tax deducted was \$76.40 and benefit contribution payments were:

Employer	\$40
Employee	10% of gross pay

What was the net pay of the production worker in week 9?

- A \$271.68
- B \$311.68
- C \$316.30
- D \$319.29

Question 19

When communicating written information, which of the following are considerations in determining the format to be used?

- (1) Comparative cost
- (2) Degree of confidentiality
- (3) Speed of delivery

- A 1 only
- B 3 only
- C 1 and 2 only
- D 1, 2 and 3

Question 20

Niret Co is a business which manufactures electronic components.

Identify the appropriate cost classification for each of the costs described below.

		Indirect materials	Indirect labour	Indirect expenses
1.	Salary costs of machine maintenance staff			
2.	Lighting costs of component inventory storeroom			

Question 21

Kath Co manufactures custom-made doors for commercial premises. The doors are produced in batches to customer specifications.

Below is an extract of the costs incurred in the last month:

Specialist servicing of factory machinery	\$1,800
Hire of delivery vehicles	\$2,500
Repair of damaged factory flooring	\$800
Rental of paint-spraying equipment that will be used for a single customer order	\$2,800
Marketing brochures provided to prospective customers	\$400

Calculate the total indirect production expenses incurred in the month by Kath Co.

\$

Question 22

The following indirect costs were incurred in a factory in a period:

Rental of premises	\$80,000
Utilities	\$25,000

There are two cost centres, A and B, in the factory which between them occupy the 20,000 square metres (m²) of floor space (cost centre A: 8,000 m²; cost centre B: 12,000 m²).

What is the total indirect cost apportioned to cost centre B in the period if floor space is used as the basis of apportionment?

- A \$42,000
- B \$52,500
- C \$63,000
- D \$105,000

Question 23

Herin Co produces car tyres. It has an annual total production of 500,000 tyres.

Which TWO of the following costs would be examples of stepped fixed costs for Herin Co?

- A Hire of machines each with capacity to produce 50,000 tyres per year
- B Printing of 15,000 promotional leaflets for distribution at a national vehicle parts show
- C Purchase of 100 tonnes of tyre rubber for six months production
- D Salaries of quality control officers who have an annual testing capacity of 200,000 tyres

Question 24

The following data relates to a raw material.

Date		Units	Unit Price (\$)	Value (\$)
1 Jan	Balance b/f	100	5.00	500.00
3 Mar	Issue	40		
4 Jun	Receipt	50	5.50	275.00
6 Jun	Receipt	50	6.00	300.00
9 Sept	Issue	70		

If the FIFO method of pricing is used, what is the value of the issue on 9 September?

- A \$350.00
- B \$355.00
- C \$376.25
- D \$410.00

Question 25

Identify whether each of the following information sources would be classified as internal or external.

		Internal	External
1.	Market research		
2.	Inventory system		
3.	Employee satisfaction survey		
4.	Trade journals and websites		

Question 26

Wildman Co has two production cost centres, Cutting and Finishing.

The overheads and operating hours for the two cost centres are:

Cutting:	\$210,000	60,000 machine hours	4,000 labour hours
Finishing:	\$200,000	5,000 machine hours	14,000 labour hours

From the information given, which of the following should be the basis for overhead absorption?

- A Both cost centres should be based on machine hours
- B Both cost centres should be based on labour hours
- C Cutting should be based on machine hours and Finishing should be based on labour hours
- D Cutting should be based on labour hours and Finishing should be based on machine hours

Question 27

The management accountant of Rine Co, a furniture manufacturer, has produced the following graphs to represent the costs of producing desks, but has failed to complete all the information.



The total cost of making 700 desks has been calculated to be \$5,000.

Using the information provided, calculate the value shown by point A in the variable costs graph, to two decimal places.

\$

Question 28

Which of the following describes what a timesheet is used for?

- A To calculate pay only
- B To charge cost centres for work done only
- C To calculate tax deductions from employee pay
- D To calculate pay and to charge cost centres for work done

Question 29

A differential piecework payment scheme applies to direct workers in a production cost centre, subject to a guaranteed minimum wage of \$50 per day. The differential rates for output each day are:

	\$
Up to 100 units	0.50 per unit
Excess over 100 units	0.60 per unit

A worker produced the following over a three-day period:

	Units
Day 1	100
Day 2	90
Day 3	110

What is the worker's total wages for the three days?

- A \$151
- B \$156
- C \$166
- D \$180

Question 30

In Year 1, Wilton Co incurred the following indirect costs.

Heat and lighting	\$35,000
Rent and rates	\$45,000

These costs are apportioned to department A and department B on the basis of floor area occupied. Department A occupies 10,000 square metres and department B occupies 5,000 square metres. In Year 2, the indirect costs will rise by 20% and the size of the building will be increased by one third. Department C will occupy the new area.

In Year 2, what amount of indirect costs will be apportioned to department B?

- A \$20,000
- B \$24,000
- C \$32,000
- D \$48,000

Question 31

Which of the following are features of an efficient and effective coding system?

- (1) Each code should be unique
- (2) Each code should contain a combination of letters and numbers
- (3) Each code should completely disguise the item being coded
- (4) Codes should not be uniform in length and structure

- A 1 only
- B 1 and 2
- C 1, 3 and 4
- D 2, 3 and 4

Question 32

Identify the **CORRECT** cost behaviour classification of each of the following costs incurred in a factory producing children's toys.

		Variable	Fixed	Semi-variable
1	Adhesive used in sealing packaging for final products			
2	Total factory power costs comprising fixed fee plus usage charge			
3	Salaries of office cleaning staff			
4	Total wage costs for production staff paid on a piecework basis			

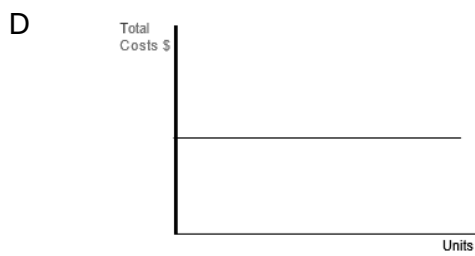
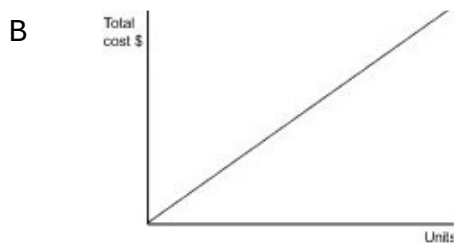
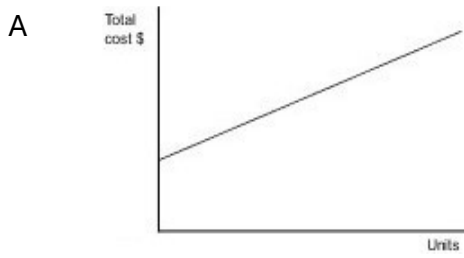
Question 33

Which of the following would be the **CORRECT** entry for the issue of indirect material to production?

- | | | |
|---|------------------------|------------------------|
| A | Dr Materials control | Cr Work-in-progress |
| B | Dr Materials control | Cr Production overhead |
| C | Dr Work-in-progress | Cr Materials control |
| D | Dr Production overhead | Cr Materials control |

Question 34

Which of the diagrams below would represent the cost of ingredients for a bakery?



Question 35

25,000 units of Kyle Co's single product are produced in a period during which 28,000 units are sold. Opening inventory was 7,000 units. Unit costs of the product are:

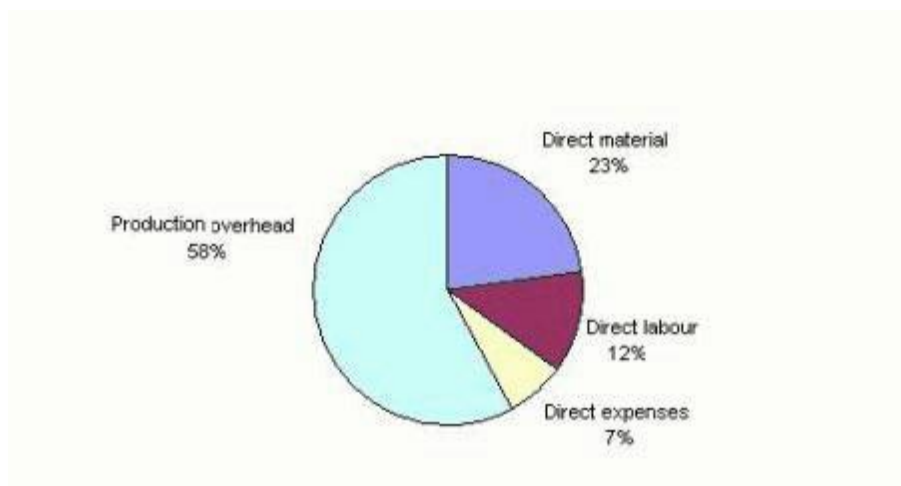
	\$ per unit
Variable production cost	16.20
Fixed production overhead	7.60
Fixed non-production overhead	2.90

Identify the **CORRECT** value of closing inventory under each of absorption and marginal costing.

		\$64,800	\$95,200	\$106,800
1.	Absorption costing			
2.	Marginal costing			

Question 36

A spreadsheet includes the following pie chart to analyse Wearyan Co's total manufacturing cost for a period. Wearyan Co's production overhead in the period was \$124,700.



What are the total direct costs of Wearyan Co?

- A \$43,645
- B \$52,374
- C \$75,250
- D \$90,300

Question 37

Rowl Co recently launched a new product. The management accountant has collected the following cost information for production in the months since launch.

Number of units produced	Total cost \$
10,000	22,500
50,000	112,500
100,000	225,000
200,000	450,000

What cost behaviour is being shown here?

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

Question 38

Brinda Co manufactures a single product. Unit costs of the product are:

	\$ per unit
Variable production	14.75
Fixed production	8.10
Variable selling	2.40
Fixed selling	5.35

400,000 units of the product were manufactured in a period, during which 394,000 units were sold. There was no inventory of the product at the beginning of the period.

Using marginal costing, calculate the total value of the finished goods inventory at the end of the period.

\$

Question 39

Which of the following are features of useful management information?

- (1) Communicated to the right person
- (2) Provided whatever the cost
- (3) Sufficiently accurate for its cost

- A 1 only
- B 1 and 3 only
- C 2 and 3 only
- D 1, 2 and 3

Question 40

Which of the following statements defines the responsibility of the manager of a profit centre?

- A Responsibility for revenues but not costs
- B Responsibility for costs but not revenues
- C Responsibility for revenues and costs
- D Responsibility for revenues, costs and investment

Question 41

Receipts and issues of a raw material for a period were:

		Units	\$ per unit	Cumulative total (\$)
Day 1	Balance	160	3.70	592
Day 3	Receipt	230	3.60	1,420
Day 5	Issue	110		
Day 8	Issue	150		

Using the AVCO inventory pricing method, what is the total cost of the issue on Day 8?

- A \$540
- B \$546
- C \$548
- D \$555

Question 42

Production labour costs incurred during a period included the following items:

	\$
Salary of factory manager	2,400
Training of direct workers	1,660
Normal idle time	840
Overtime premiums of direct workers	2,760
Overtime hours of direct workers at basic rate	9,200

What total amount would usually be charged to production overhead for the above items?

- A \$4,060
- B \$4,900
- C \$7,660
- D \$16,860

Question 43

A coding system uses a combination of letters and numbers to classify costs. The first two digits of each code represent the cost centre, the third and fourth digits represent the type of expense and the fifth and sixth digits represent the detail of the expense.

Relevant codes for a particular expense are:

	Code
Selling expense	24
Northern division	ND
Commission	SC

Based on the above coding system, what is the CORRECT code for the above expense?

- A SC24ND
- B NDSC24
- C ND24SC
- D 24SCND

Question 44

Dipton Co has apportioned their indirect costs as shown below:

	Dept A	Dept B	Dept C	Dept D
Rent and rates (\$)	10,000	15,000	45,000	12,500
Heat and lighting (\$)	15,000	25,000	25,000	20,000
Administration (\$)	15,000	35,000	35,000	35,000
Premises insurance (\$)	20,000	15,000	15,000	12,500
Total (\$)	60,000	90,000	120,000	80,000

Hours worked:				
Direct labour	10,000	15,000	12,500	10,000
Machine	5,000	20,000	15,000	12,500

If direct labour hours are used to absorb the indirect costs, which department will have the highest hourly absorption rate?

- A Department A
- B Department B
- C Department C
- D Department D

Question 45

Which of the following statements is TRUE?

- A Information consists of raw facts that have not been processed
- B Data consists of visual representations of numerical information
- C Data consists of processed information
- D Information consists of data which has been processed in a predefined way

Section B

Question 46

King Co manufactures motorcycle helmets in its factory. The pricing manager wishes to know the full cost of the finished projects.

The following information, in Table 1, is available for the three production departments in the factory:

Table 1

	Cutting	Assembly	Packaging	Total
Labour hours	18,000	7,200	5,400	30,600
Floor area (m ²)	1,000	400	300	1,700
Machine hours	40,000	5,000	6,000	51,000
Carrying value of machine (\$)	20,000	8,000	3,000	31,000

Table 2 shows a partially complete analysis of overhead costs that has been prepared by the management accountant.

Table 2

Overhead costs (\$)	Cutting	Assembly	Packaging	Total
Supervisor salaries			9,720	55,080
Factory power	120,000	15,000	18,000	153,000
Light and heat	36,000			61,200
Machinery insurance	12,500	5,000	1,875	19,375
Total apportioned overheads				288,655

Task 1

Using the appropriate basis for apportionment, calculate the total light and heat costs (to the nearest \$) that will be apportioned to each of the Assembly and Packaging departments in Table 2.

Assembly \$

Packaging \$

Task 2

What is the total overhead absorption rate per machine hour for the Cutting department (to two decimal places)?

- A \$3.00
- B \$3.94
- C \$4.21
- D \$5.02

Task 3

Which of the following is the CORRECT order for the stages of overhead absorption?

- A Absorb / allocate / apportion
- B Allocate / absorb / apportion
- C Apportion / allocate / absorb
- D Allocate / apportion / absorb

Question 47

Beata Co, a toy manufacturer, employs factory workers to produce the toys, and supervisors to oversee the operations of the factory.

Factory workers are paid a basic hourly rate of \$11.80 and will receive an additional bonus of \$5 for each hour saved. It is expected that each toy will take 12 minutes to produce.

Supervisor salaries are paid on an hourly basis for a 37 hour week, worked Monday to Friday, at a rate of \$16.50 per hour. They will be paid overtime at 'time and a third' for anything worked above the 37 hours contracted on weekdays, and at double time for weekend overtime.

Task 1

Calculate the labour cost per unit of a factory worker who worked 50 hours and produced 330 units in the week.

Labour cost per unit (to two decimal places) \$

Task 2

A supervisor records the following hours worked in a week:

Monday	8 hours
Tuesday	7.5 hours
Wednesday	8 hours
Thursday	8.5 hours
Friday	9 hours
Saturday	4 hours

What is the total salary that will be paid to the supervisor for the week?

- A \$742.50
- B \$786.50
- C \$830.50
- D \$874.50

Task 3

Four supervisors are employed at the factory. The total supervisor salary costs for a week include the following overtime amounts:

Weekday overtime	\$209
Weekend overtime	\$396

All supervisors attended a two-hour first aid training course on a Saturday afternoon for which they could claim overtime. The remaining overtime was worked to meet an order from a customer who had paid a premium for their order of toys to be shipped within five working days.

What is the value of the debit entry to be made to production overheads for the supervisor overtime?

- A \$66
- B \$264
- C \$396
- D \$605