

CIMA

CIMAPRA17-BA2-1

BA2 - Fundamentals of Management Accounting

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Question: 1

Refer to the exhibit.

| | £ |
|-------------------------------|----------|
| Gross wages | 123,840 |
| Employees' National Insurance | (9,180) |
| Income tax (PAYE) | (18,860) |
| Net wages | 95,800 |

DS is manufacturing company that uses an integrated accounting system. The following payroll data is available for the month of August:

The Employers' National Insurance for the period was \$13,790. An analysis of the wages is as follows:

Which of the following factors affect the budgeted cash flow:

- (a) Funds from the issue of share capital
- (b) Bank Interest on a long term loan
- (c) Depreciation on fixed assets
- (d) Bad debt write off

- A. Factors (a), (b), (c) and (d)
- B. Factors (a) and (b) only
- C. Factor (a) only
- D. Factors (b), (c) and (d) only

Answer: B

Question: 2

Which of the following cannot be used to split costs into fixed and variable elements?

- A. Absorption costing
- B. High-low method
- C. Scattergraph
- D. Line of best fit

Answer: A

Question: 3

In order to provide information that is suitable for control purposes, the budget must be:

- A. Computer generated
- B. Fixed
- C. Flexed
- D. Ideal

Answer: C

Question: 4

If the fixed costs are increased, the point at which the line plotted on a profit/volume (PV) graph cuts the horizontal axis will:

- A. Double
- B. Move to the left
- C. Stay the same
- D. Move to the right

Answer: D

Question: 5

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: A

Question: 6

Within the relevant range, a variable cost is a cost which:

- A. cannot be forecast with any degree of accuracy because of its variability.
- B. varies in total in proportion to the level of activity.
- C. varies per unit in proportion to the level of activity.
- D. varies in total in proportion to the level of inflation.

Answer: B

Question: 7

Fixed costs can best be described as:

- A. Costs which are difficult to budget accurately
- B. Costs which remain constant, within a relevant range, when activity levels change
- C. Costs which never change
- D. Costs which are uncontrollable

Answer: B

Question: 8

Refer to the Exhibit.

| | Production Activity | Fixed production overhead expenditure |
|---|---------------------|---------------------------------------|
| A | Lower than budget | Higher than budget |
| B | Lower than budget | as budgeted |
| C | Higher than budget | Higher than budget |
| D | Higher than budget | Lower than budget |
| E | Higher than budget | As budgeted |
| F | As budgeted | Lower than budget |
| G | As budgeted | Higher than budget |
| H | As budgeted | As budgeted |

A company operates an absorption costing system. The management accounts show that fixed production overheads were over-absorbed in the period.

Which FOUR combinations could possibly have resulted in this situation?

- A. Combination A
- B. Combination B
- C. Combination C
- D. Combination D
- E. Combination E
- F. Combination F
- G. Combination G
- H. Combination H

Answer: C, D, E, F

Question: 9

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.

| Product | Correct order |
|-----------|---------------|
| Product R | |
| Product S | |
| Product T | |

Answer:

| Product | Correct order |
|-----------|---------------|
| Product R | 3rd |
| Product S | 2nd |
| Product T | 1st |

Question: 10

Which of the following statements is correct?

- i. sector bodies use budgetary planning and control systems
- ii. costing cannot be used by public sector bodies because they have no measurable output
- iii. in public sector bodies tend to focus on cost management therefore they have no need for nonfinancial information

- A. (i) only
- B. (i) and (ii) only
- C. (ii) and (iii) only
- D. (i) and (iii) only

Answer: A

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