

FOUNDATIONS IN ACCOUNTANCY

Management Information

Specimen Exam applicable from June 2014

Time allowed: 2 hours


ALL 50 questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper MA1

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

ALL 50 questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.
Each question is worth 2 marks.

1 Which of the following may be 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

2 All of a company’s workers are paid the same hourly rate.

The following spreadsheet is to be used to calculate wages earned by different workers each week. A formula is entered in cell B4 and then a fill command is used to copy this formula into cells C4 to G4.

	A	B	C	D	E	F	G
1	Wage rate per hour (\$)	12					
2	Worker	P	Q	R	S	T	U
3	Hours worked	40	28	38	39	40	27
4	Wages earned (\$)						
5							
6							

Which of the following formulae should be entered into cell B4 prior to using the fill command to make sure that the correct formulae is used for cells C4 to G4?

- A =B1*B3
- B =\$B\$1*B3
- C =B1*\$B\$3
- D =\$B\$1*\$B*\$3

3 There was no work-in-progress in a manufacturing process at the start of a period. 18,000 units of a product commenced processing in the period during which completed output was 16,100 units. The work-in-progress was 75% complete for conversion costs which were \$4.60 per equivalent unit. There were no losses or gains in the process

What amount was included in the closing work-in-progress for conversion costs?

- A \$6,555
- B \$8,740
- C \$11,653
- D \$18,515

4 Which of the following statements is true?

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

5 For which of the following tasks would a computer spreadsheet be most useful?

- A** Expense coding structure
- B** Product listing
- C** Staff appraisal
- D** Cost analysis

6 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 LIFO inventory pricing method, what is the total cost of the issue on Day 8?

- A** \$540
- B** \$543
- C** \$545
- D** \$555

7 Product X is manufactured by Y Co. Direct materials cost \$6.10 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

8 Which of the following is a major advantage of the use of computer spreadsheets in management accounting?

- A** Formulas are consistent in that they usually appear as numbers
- B** They can be printed and hard copies filed
- C** They can be used to record the cost coding structure
- D** What-if analysis can be carried out easily and quickly

9 Product X requires 1.8 kg of a raw material per finished unit. The material has a weight loss of 10% in preparation for manufacture. Inventory of the material is currently 420 kg but needs to be increased to 500 kg. 2,000 units of Product X are to be manufactured.

How many kg of the raw material need to be purchased to satisfy the above requirements?

- A** 3,880
- B** 3,920
- C** 4,040
- D** 4,080

10 At the end of a period the percentage completion of the work-in-progress in a continuous manufacturing process was over estimated.

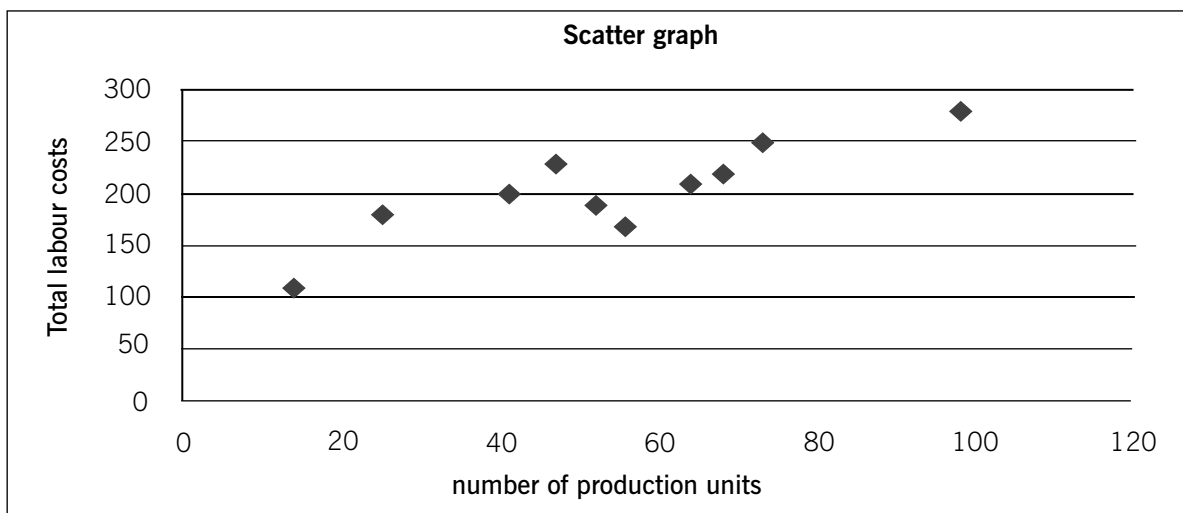
What effect would correction of the error have on the cost per equivalent unit and the total cost of output completed in the period?

- | | Unit cost | Cost of output |
|---|-----------|----------------|
| A | Decrease | Decrease |
| B | Decrease | Increase |
| C | Increase | Decrease |
| D | Increase | Increase |

11 **What is the purpose of prime entry records?**

- A Assist the preparation of a trial balance
- B Prevent unnecessary detail in the ledgers
- C Provide a check on the double-entry bookkeeping
- D Provide a list of outstanding payments

12 The following scatter graph plots nine observed sets of data from a factory.



Which term would BEST describe the behaviour of total labour cost?

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

13 A production operative 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 operative in week 9?

- A** \$271·68
- B** \$311·68
- C** \$316·30
- D** \$319·29

14 No losses or gains occur in a manufacturing process. There was no work-in-progress at the start of a period during which 9,600 litres of a raw material were input to the process. 8,700 litres of finished product were output from the process in the period. The stage of completion of the work-in-progress was:

Materials	100%
Conversion costs	60%

What were the equivalent units of production in the period?

	Materials	Conversion costs
A	8,700	8,700
B	8,700	9,060
C	9,600	9,240
D	9,600	9,600

15 Using marginal costing, what is the basis for valuing inventory of finished goods in a manufacturing business?

- A** Direct + indirect production costs
- B** Prime costs + total variable costs
- C** Prime costs + variable production overheads
- D** Production costs + variable non-production costs

16 What is a time sheet used for?

- A** To calculate pay only
- B** To charge cost centres for work done only
- C** To record attendance time
- D** To calculate pay and to charge cost centres for work done

17 Which of the following documents will **MOST** help a sales manager to monitor the effectiveness of a sales team?

- A** A monthly report comparing sales targets with actual results
- B** The sales department's organisational chart
- C** A monthly report analysing the reasons for customer complaints
- D** The completion of appraisal interview forms

18 The following financial figures relate to Jolly for a year:

	20X2
	\$
Sales	50,000
Cost of sales	(10,000)
Gross profit	40,000
Expenses	(15,000)
Net profit	25,000
Capital employed	100,000

What is the asset turnover ratio for 20X2?

- A 0.8 times
- B 0.4 times
- C 2 times
- D 0.5 times

19 The following spreadsheet shows a company's statement of profit or loss for the coming period.

	A	B	C	D	E
1	Statement of Profit or Loss				
2	Period 2				
3		Division A	Division B	DivisionC	Total
4	Sales Revenue	5,000	6,000	8,000	19,000
5	Variable costs	1,500	1,800	2,400	5,700
6	Contribution	3,500	4,200	5,600	13,300
7	Fixed cost	<u>2,000</u>	<u>3,000</u>	<u>4,000</u>	<u>9,000</u>
8	Profit	1,500	1,200	1,600	4,300
9					
10					

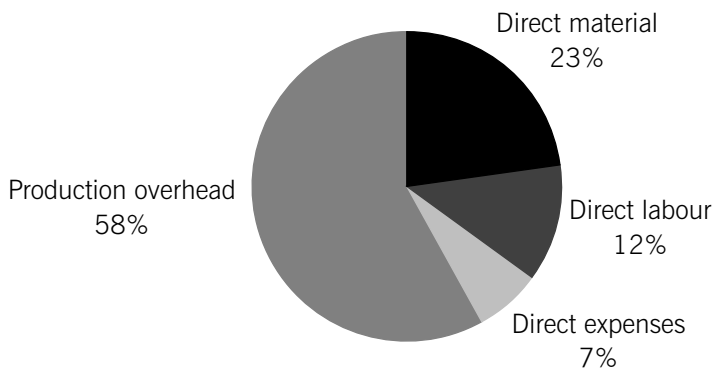
Which of the following formulae is correct for calculating the value of cell E8?

- A =Sum(B8:D8)
- B Sum(B8:D8)
- C =Sum (E4:E7)
- D Sum (E4:E7)

20 **Which activity is LEAST likely to be the responsibility of the accounting function of a large organisation?**

- A Calculation of wages
- B Control of trade receivables
- C Dispatch of customer orders
- D Payment of trade payables

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



What are the total direct costs?

- A \$43,645
- B \$52,374
- C \$53,750
- D \$90,300

22 A Business has the following results:

	\$
Sales	100,000
Cost of sales	(20,000)
Gross profit	80,000
Expenses	(30,000)
Net profit	50,000

What is the net profit margin for the Business?

- A 50%
- B 80%
- C 62.5%
- D 200%

23 **What is the effect of using brackets in a spreadsheet formula?**

- A Divisions and multiplications are calculated before additions and subtractions
- B Additions and subtractions are calculated before divisions and multiplications
- C The contents of the brackets are calculated first
- D The contents of the brackets are calculated last

24 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:

Day 1	100 units
Day 2	90 units
Day 3	110 units

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

- A** \$151
- B** \$156
- C** \$161
- D** \$166

25 What is the purpose of an organisation chart?

- A** To demonstrate formal relationships and communication flows
- B** To demonstrate the filing and coding systems used
- C** To map where each department and function is located
- D** To set out production schedules for a period

26 A manufacturer absorbs production overheads into the cost of jobs as a percentage of actual direct labour cost. Two jobs were worked on during a period:

	Job 1 (\$)	Job 2 (\$)
Opening work-in-progress	5,269	–
Direct materials in the period	10,726	4,652
Direct labour in the period	4,360	2,940

Production overheads of \$9,855 were incurred in the period. Job 2 was completed in the period.

What is the value of work in progress at the end of the period?

- A** \$20,972
- B** \$24,941
- C** \$26,241
- D** \$20,355

27 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

She is considering using the following charts:

- (i) Scatter diagram
- (ii) Line chart
- (iii) Stacked (compound) bar chart

Which chart(s) would be most appropriate?

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

28 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 (sq m) of floor space (cost centre A, 8,000 sq m; cost centre B, 12,000 sq m).

What is the total indirect cost apportionment 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

29 You have been asked to write a report outlining the qualities of good information.

Which of the following would you NOT include in the report?

- A The information should be complete
- B The information should be communicated via an appropriate channel
- C The information should be understandable
- D The information should be communicated to everyone in the organisation

30 **In an interlocking accounting system what would be the entry for the issue of indirect material?**

- A Dr Raw material inventory Cr Work in progress
- B Dr Raw material inventory Cr Production overhead
- C Dr Work in progress Cr Raw material inventory
- D Dr Production overhead Cr Raw material inventory

- 31** 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

What is the correct code for the above expense?

- A** SC24ND
 - B** NDSC24
 - C** ND24SC
 - D** 24SCND
- 32 Which of the following are reasons for formatting data in a spreadsheet?**

- (1) To get data into the correct order for analysis
- (2) To make labels visually interesting
- (3) To make numbers more descriptive of what they represent
- (4) To make the data appear as plain text

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

- 33** Direct operatives in a factory are paid on a time rate basis for a 35-hour week.

If productivity can be improved what will happen to direct labour costs per unit of output?

- A** Decrease
- B** Increase
- C** No change
- D** Not possible to determine from the information provided

- 34 Which of the following statements concerning spreadsheet cells are correct?**

- (1) A formula in a particular cell may calculate numbers for several cells
- (2) Clicking on a particular cell, and then entering a number or text, will enter data into that single cell
- (3) Each cell can contain a number, a label or a formula
- (4) Press Shift and Enter to select the cell below in the same column

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

35 Which of the following statements concerning the recording and analysis of sales 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 in a number of different ways for management accounting purposes

- A** Both 1 and 2
- B** 1 only
- C** 2 only
- D** Neither 1 nor 2

36 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)

37 Which item 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** Staples to fit the fabric to the seat of a chair
- D** Wood used to make the frame of a chair

38 Which of the following is TRUE about the effect of different methods of pricing raw materials from inventory in a period of consistently rising prices?

- (1) Production costs will be higher using FIFO rather than LIFO
- (2) Closing inventory values will be lower using periodic weighted average rather than cumulative weighted average

- A** 1 only
- B** 2 only
- C** Both statements
- D** Neither statement

39 In an inventory control system, what is normally meant by free inventory?

- A** Inventory which is available for new orders from customers
- B** Inventory which is available for promotional offers
- C** Inventory which is in transit from supplier to warehouse
- D** Inventory which is in transit from warehouse to customer

40 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

41 Which of the following states 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

42 Which of the following defines cost classification?

- A** The grouping of costs according to their common characteristics
- B** The allotment 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

43 Which of the following are correct descriptions applied to computer spreadsheets?

- (1) An entire page of rows and columns is called a workbook
- (2) Each row is identified by a letter
- (3) Data is organised in rows and columns
- (4) The intersection of each row and column defines a cell

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

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

- | | |
|--|---------|
| (1) Salary of factory manager | \$2,400 |
| (2) Training of direct workers | \$1,660 |
| (3) Normal idle time | \$840 |
| (4) Overtime premiums of direct workers | \$2,760 |
| (5) 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

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

- (1) Each item should have a unique code
- (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 only
- C** 1, 3 and 4 only
- D** 2, 3 and 4 only

46 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

47 25,000 units of a company'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
Direct costs	16.20
Fixed production overhead	7.60
Fixed non-production overhead	2.90

What is the difference in profit between absorption and marginal costing?

- A** \$22,800
- B** \$30,400
- C** \$31,500
- D** \$42,000

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

What cost classification is appropriate for the sales representative's salary?

- A** Direct cost
- B** Product cost
- C** Semi-fixed cost
- D** Prime cost

49 Consider the following tasks:

- (1) Setting selling prices for products and services
- (2) Analysing departmental expenditure for control purposes
- (3) Calculating the quantity of raw materials in store
- (4) Calculating wages for employees working on special shifts

Which tasks are likely to be carried out by a trainee accountant?

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

50 TRS CONSULTANTS

31 Oxford Avenue
Milton Mewbury
Lincolnshire

Invoice number: 9911

Date: 25 February 20X1

Customer:

Jacqueline Smith
ACCA
2 Central Quay
Glasgow
G3 8BW

Item:

Accountancy training \$1,500.00

In the integrated computerised accounts of TRS Consultants, which of the following is correct?

- A** The bank account will be credited
- B** The sales account will be debited
- C** Trade payables control account will be debited
- D** Trade receivables control account will be debited

(100 marks)

End of Question Paper

Answers

- 1 **B**
- 2 **B**
- 3 **A**
 $(18,000 - 16,100) \cdot 75 \cdot \$4.60 = 6,555$
- 4 **D**
- 5 **D**
- 6 **B**
 $((230 - 110) \cdot 3.60) + (3.7 \cdot (150 - (230 - 110))) = \543
- 7 **A**
 Overhead costs per unit:
 $13.4 \div 2 = 6.7$
 Total production cost per unit:
 $6.7 + 9.60 = 16.30$
- 8 **D**
- 9 **D**
 Material required per finished unit with a 10% loss:
 $1.8 \div .90 = 2$
 Total material required for manufacture:
 $2 \cdot 2,000 = 4,000$
 Total materials to buy:
 $4,000 - 420 + 500 = 4,080$
- 10 **D**
- 11 **B**
- 12 **C**
- 13 **B**
 Basic pay $(35 \cdot 11) = 385$
 Overtime pay $(11 \cdot 1.40) \cdot (38 - 35) = 46.2$
 Gross pay $(385 + 46.20) = 431.20$
 Benefit contribution $(431.2 \cdot .1) = 43.12$
 Net pay $(\$431.20 - \$76.40 - \$43.12) = \311.68
- 14 **C**
 Output 8,700
 WIP $(9,600 - 8,700) = 900$
 Equivalent units:
- | | Material costs | Conversion costs |
|----------------|-----------------------|-------------------------|
| Finished goods | 8,700 | 8700 |
| WIP | 900 (900*100%) | 540 (900* 60%) |
| Total | 9,600 | 9,240 |
- 15 **C**
- 16 **D**
- 17 **A**
- 18 **D**
 Sales/capital employed
 $50,000/100,000$
 0.5 times
- 19 **A**
- 20 **C**
- 21 **D**
 Total direct costs percentage: $(23 + 12 + 7) = 42\%$
 Total direct costs: $(124,700/58\%) \cdot 42\% = \$90,300$
- 22 **A**
 $(\text{Net profit}/ \text{sales}) \cdot 100$
 $(50,000/100,000) \cdot 100$
 50%
- 23 **C**

24 B

Day 1 pay $(100 \times 0.5) = \$50$

Day 2 pay $(90 \times 0.5) = 40$ but get minimum = \$50

+ day 3 pay $(100 \times 0.5) + (10 \times 0.6) = \56

Total = \$156

25 A

26 C

Overhead production cost for Job 1

$(4,360 / (4,360 + 2,940)) \times 9,855 = \$5,886$

Total costs $(5,269 + 10,726 + 4,360 + 5,886) = \$26,241$

27 C

28 C

Percentage occupancy for centre B

$12,000 / (8,000 + 12,000) = 60\%$

Overheads apportioned to B

$(80,000 + 25,000) \times 60\%$

\$63,000

29 D

30 D

31 C

32 B

33 A

34 C

35 A

36 B

37 C

38 B

39 A

40 B

41 C

42 A

43 C

44 C

$(2,400 + 1,660 + 840 + 2,760) = 7,660$

45 A

46 D

47 A

48 C

49 C

50 D